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WITH THE EDITORS

Charles Benedict Returns

READERS will be gratified to learn that Charles Benedict has returned to this country after several months of European observation. We take pleasure in calling attention to the resumption of his widely known department AS I SEE IT, and particularly to this first article written since his return, "The Frankenstein Monster Is Loose Again," which appears on page 688.

For a clear exposition of the background of Europe's present perplexities we heartily commend this brief discussion. With bold, deft strokes he sketches for you the outline of the problems, aspirations and intrigues of the principal nations of the Continent and presents a concise picture that will lend both color and fuller understanding to your reading of new developments in the daily press.

At this time, when war again threatens the peace of the world, such a contribution to a better interpretation of events from the pen of a keen observer should prove unusually valuable.

For the past fifteen years Mr. Benedict has been making special foreign studies. He has extensive contacts in many countries and unusual channels of information are open to him. These coupled with his own ability to penetrate the superficial and appraise the fundamentals have gained wide acceptance for his writings.

The article in this issue is the first of a series on various important setups in Europe. A few of those to follow will deal with:

1.—The Mad Men In Germany.

2.—Mussolini, Italy 1936.—Anno 14.

3.—England, for Defense of King and Empire.

4.—Germany and Italy Divide Up Mittel Europa.

5.—Blum—the Kerensky of France?

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To What Extent Can Businessmen Ignore Politics In Making Their Plans?

What Can Be Expected:

If Roosevelt Is Elected? **If Landon Is Elected?**

By JOHN C. CRESSWILL

Aviation's Profit Prospects Improve

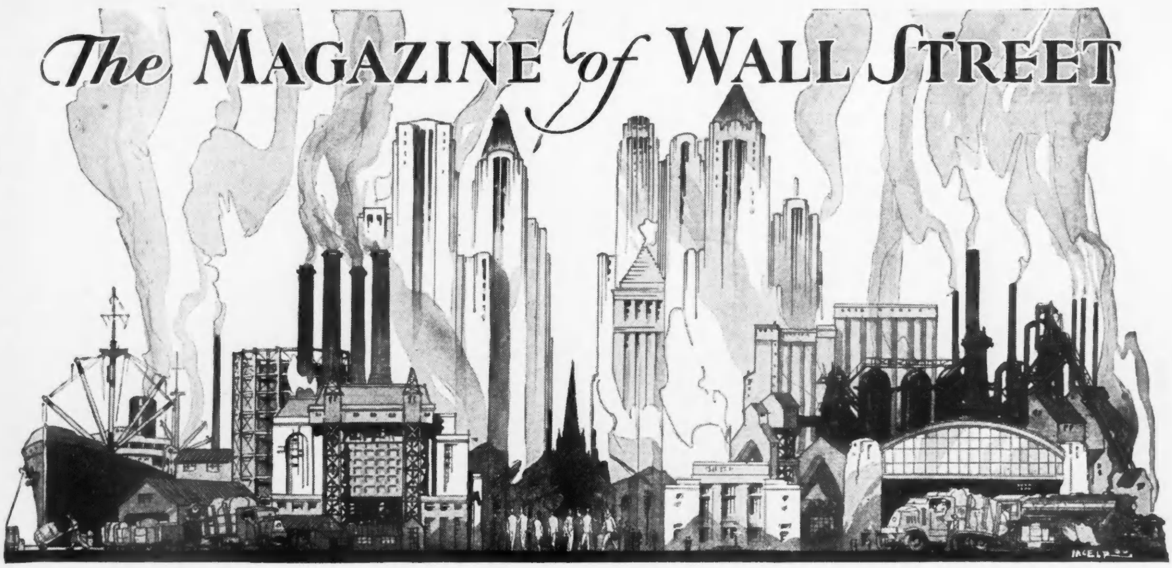
By HOWARD MINGOS

New Outlook for Oils

By N. O. FANNING

Courtesy, Pittsburgh Plate Glass Co.

Glass manufacture is booming. Increasing demand for bottles, jars, stemware and glasses, a rising trend in building construction and the advent of a variety of new uses and new products are keeping the furnaces hot. **See page 710.**



E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Laurence Stern
Associate Editors

The Trend of Events

As Maine Went Perhaps The Nation Will Go

THE outcome of the Maine election and of recent primaries in several populous states shows clearly that the New Deal has lost much popular favor since 1932. This is a conclusion which for some time has been evident to impartial students of politics and which, of course, has been indicated by all national polls—but neither the actual votes recently cast nor the straw votes thus far collected tell us whether the shift in sentiment has been sufficiently strong or will be sufficiently strong by November to bring about the defeat of President Roosevelt.

As for Maine, statistics can be cited to prove any point one desires. It is a fact, however, that if we average fifteen Maine elections back to 1864 it will be found that the Republican vote for Governor in that state has tended habitually to exceed the national Republican vote for President. Thus, combining all these elections, the Republicans had 58.4 per cent of the major party vote in Maine's gubernatorial selections, but in the following Presidential elections had an average of only 52.3 per cent of the major party vote. This is a difference of 6.1 points.

In the present instance the Republicans had 57.1 per cent of the combined Republican-Democratic vote in electing a Governor of Maine. Should the historic relationship to the national election be maintained, this would indicate that Mr. Landon will receive 51 per cent of the major party vote in November. Elections, however, are decided by human beings and not by statistics, and local elections are highly colored by local issues and local personalities. In at least one instance, the election of 1908, the Republicans fared better in the nation than in Maine. There having been this one exception to the historical rule, obviously it is possible that there can be another.

In short, now that Maine has voted, we know very little more than we assumed before; namely, that the election probably will be close in popular vote. That doesn't necessarily mean close in electoral vote, for it is possible under our system for the successful candidate to obtain a minority of the popular vote and yet receive a majority of the electoral vote. Nor have the Michigan and Massachusetts primaries added much to the story. They show increased Republican strength but leave the November verdict in doubt. In Michigan's primaries the Republicans voting outnumbered the Democrats by two to one. Yet they had a similar numerical superiority in that state's 1932 primaries—and the Democrats carried the state when November came around.

New Recovery Phase Is Indicated

BUSINESS activity today is not very far under normal, yet few persons realize the vital importance of the gap that yet remains to be closed. Statistical estimates of total business volume rest upon an average of many industries, some of which are at or above former peaks, others of which are still seriously depressed. The fact of basic significance is that those which are still depressed—the heavy goods industries—are largely responsible for our swings between prosperity and depression and for the cyclical swings in employment.

Fortunately there is reason to believe that the heavy industries have reached or soon will reach a level above which expansion and the re-employment of workers will proceed at a much accelerated pace. This is only partly a matter of confidence. To an important extent it is a question of the volume of business available or indicated as probable in the near future and the relation between that volume and productive capacity. Almost every large corporation has old and new plants, old and new machinery. Let us say that the orders of a particular company are only sufficient to utilize half of its capacity. Naturally it will use its most efficient plants, its newest and most efficient machinery, thereby holding costs to a minimum, notably the cost of labor. But when volume rises to 75 per cent of capacity the less efficient facilities must be brought into use.

More and more manufacturing corporations today are approaching the limit of *efficient* capacity, and *efficient* capacity has a much more direct bearing upon capital expansion and employment than has *total* capacity. In some instances the effect will be employment of more workers as equipment long idle is utilized. In others the result will be purchase of additional modern equipment, manufacture of which also makes employment. For both reasons industrial progress from this point onward is likely to be doubly gratifying.

Steel Refuses Wage Increase

WHAT should wages in the steel industry be? The answer—the same as in any industry—is: "As high as it is possible for them to be without injustice to the stockholders and without impairing the financial safety of the enterprise." In refusing demands for a 10 per cent wage increase for workers of the Carnegie-Illinois Steel Co., largest unit of United States Steel, President Benjamin F. Fairless gave almost precisely this answer.

He pointed out that such increase in wages by Carnegie-Illinois alone would have taken almost all of the consolidated profit of United States Steel for the first half of 1936, that for more than three years the parent company's preferred shareholders had received only 50 cents a share quarterly instead of the $1.75 to which they are entitled, that living costs, while rising, are still substantially below those of 1929, that the company's base labor rate per hour is now the highest in its history and that the wage increase could not be granted except with injustice to the owners of the enterprise or by raising prices of steel, in which latter event demand—and consequently employment—might be reduced. He left the door open by asking the workers to show how their request could be granted without general price rise and without injustice to shareholders.

Mr. Fairless is to be commended for his frank handling of this problem. There seems to be a tendency, however, for the entire industry to follow Carnegie-Illinois in matters of price and wage policy. Yet the Fairless arguments lose much weight when applied to prosperous makers of light steels. We see no reason why wages paid by such companies should be based on the scale of a less prosperous company largely dependent on the still depressed heavy steel products.

Motor Trucks Speed To Record High

WHILE public attention focuses on the sleek, new passenger cars sliding over our highways—symbols of dynamic recovery in the automobile trade—it is the prosaic work horse of the industry, the motor truck, that will make a new all-time record for volume of sales this year. On the showing to date, approximately 600,000 trucks will have been sold by the close of December, topping the 1929 figure by more than 20,000.

Economic recovery clearly is not the whole answer, for business activity remains well under the exalted level of 1929. What we evidently see is a cyclical recovery in truck transport superimposed upon large gains which such transport made at the expense of railroad transport in recent years. A study made early in 1935 by the office of Co-ordinator Eastman showed that railroads handled 60 per cent of total commercial tonnage in 1928 and only 44 per cent of it in 1932. No more recent statistics are available, but it is reported that around the first of next year the Interstate Commerce Commission will require motor transport operators to submit periodic reports of tonnage handled, as it has authority to do under the Motor Transport Act of 1935.

Such a step would be a decided service to all followers of economic statistics. It would not only provide a better measure of the fortunes of railroads versus trucks but would also provide a new and significant index of business activity.

Billions of Idle Dollars

THE bank balances of large depositors in ninety-eight large member banks increased from $4,383,000,000 on October 25, 1933, to $6,229,000,000 on November 1, 1935, according to a study recently issued by the Federal Reserve Board. This was an increase of $1,846,000,000 or 42 per cent. It is palpably an underestimate, since many large corporations and large individual depositors spread their balances in several banks.

This huge surplus of idle money is provocative of thought in several respects. It brings home in striking fashion the reason why American business has not resorted to bank credit to finance expanded activity as it did in former recoveries from depression. There has been no need to do so, for the Government has done the borrowing; and as it has spent the funds borrowed they have found their way into the hands of merchants and manufacturers and all other types of business men and thence have gone into private bank deposits. Again, it would seem more than a bit ironical that a Government desirous of "redistributing the wealth" should have contrived to increase the bank balances of *large* manufacturing and mining corporations by 42 per cent and the balances of *large* trade and service enterprises by 48 per cent!

The more important question is: Why doesn't this money go to work in industrial expansion? Critics of the New Deal will say the reason is lack of confidence. Others will say such funds will go to work when their owners see a volume of demand that makes expansion of facilities necessary. Probably there is truth in both contentions. The same Reserve Board study showed that large deposits in trust departments increased over the same period from $125,000,000 to $424,000,000 or by 240 per cent. Building up of cash by trust officers might reflect lack of confidence, uncertainty or doubt of the wisdom of going too heavily into gilt-edged bonds at abnormally-high quotations.

A Test For Social Security

THE Federal Social Security Act is a hastily drawn promise urgently in need of thorough overhauling if it is not to prove a fiscal nightmare to the Government and a grievous disappointment to its intended beneficiaries. For this reason it is a good thing that the New Jersey Social Security Commission seeks both to test the constitutionality of the Federal law and to establish an "independent" social security system in that state. Its action will open public debate on a problem by no means settled at the last session of Congress; and since the validity of the Act would be tested in the courts sooner or later by some one, it is preferable that the litigation be instituted by a state for in this event it would go direct to the Supreme Court, without delay in the lower courts.

Losing Markets In Cotton and Wheat

A SHORT crop has improved the near-term prospect for American cotton. If the Government's sensationally-lowered estimate of 11,121,000 bales proves correct, consumption will again exceed production, there will be a reduction in the 7,000,000-bale carryover of July 31 and the Government should be able without loss to let go of part of that portion of the carryover which it holds, this total being slightly more than 3,000,000 bales. The long-term prospect for cotton—and for the South—is something else again. Our share of the world market has been reduced, that of foreign producers has been increased. Short crops and higher prices will not change this trend, even though, together with Government largess, they spread a temporary flush of prosperity over the South.

The big news in wheat is that this year we will *import* some 42,000,000 bushels—we who formerly exported a profitable surplus to the world. At Washington they insist the drought is responsible for this. The A A A has been too long dead for critics to make out a very strong circumstantial case against it. Some say Mr. Roosevelt was born under a lucky star. Certainly it appears now that the much-criticized Supreme Court decision on A A A was a break for the New Deal. If today we had both A A A crop reduction and drought working heroically together would some political faces be red!

Vacation Over For The Supreme Court

THE summer recess of the United States Supreme Court is almost over. The "nine old men," whose decisions over the past eighteen months stopped much of the New Deal's economic planning in its tracks and thereby reminded us that we still have a government of checks and balances, will go back to work on October 5. That means that vacation is also over for a great many lawyers, both in and outside of government, for various important cases are pending.

In its coming term the Court is expected to render decisions on the revised version of the Frazier-Lemke Farm Moratorium Act, the National Labor Relations Act, Railroad Retirement Tax Act, New York Unemployment Compensation Act, California and Illinois Fair Trade Acts and the Government's right to make loans and grants for construction of municipal powerplants that compete with private plants. All of these involve a constitutional issue.

Cases now hatching in the lower courts and later to be passed on by the Supreme Court include the Public Utility Holding Company Act, Securities Exchange Act, Federal Communications Act and the Social Security Act. Out of all pending cases, business probably is most interested in the fate of the cases involving the National Labor Relations Act, Public Utility Holding Company Act, Securities Exchange Act and Social Security Act. It is to be doubted that time will permit any important decision before election or decisions on some of the more important cases until some time next year. Nevertheless the judicial breathing spell is over for New Dealers and anti-New Dealers.

The Market Prospect

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 690. The counsel embodied in the feature should be considered in connection with all investment suggestions, elsewhere in this issue.

Monday, September 21, 1936.

As I Seē It ~ By Charles Benedict

The Frankenstein Monster Is Loose Again

I HAVE just returned from three months spent in Europe and I am glad to be home—glad I am an American.

Europe after twenty-two years of war—four years of active fighting on the field of battle and eighteen years of economic and political warfare—is feverishly preparing toward renewing the strife on the battlefield. The dream of President Wilson of war without victory will now be realized; but at a shocking cost to the world. It will be a fight to the finish.

To understand clearly the situation in Europe, one must be aware of the fundamental difficulties in the various countries and read the day-to-day news appearing in the press in the light of this understanding.

The so-called World War of 1914 threw out of gear and disrupted the economic set-up of the world. Many nations that were dependent on the embattled countries found new sources of supply; others turned to producing these commodities and manufactured articles in their own countries. Thus, after the war, victors and vanquished alike found they had permanently lost markets which had been theirs before 1914.

After 1918

Then, too, the Treaty of Versailles set up new alignments, many grossly unfair, as, for example, the dismemberment of the Austrian-Hungarian Empire, which left Austria derelict and unable to support herself—gave the lion's share of the established machinery of production to the newly-formed Czecho-Slovakia,—and generally divided the territory apparently in an attempt to permanently destroy the comeback of the Germanic Central European countries. It put too many nations in a position with everything to gain and nothing to lose.

Radicalism held sway in practically all of the vanquished countries in Central Europe after the war, but with the improvement in the world economic situation, resulting from the rebuilding and rehabilitation of Europe after 1918, these countries one after another turned to the "right," leaving Russia alone with its Communistic regime as outcast in Europe. But the economic progress was very slow. Tariff and exchange restrictions among the nations destroyed the opportunity for re-establishing normal trade relations on a sound basis. Then began to rage a battle for existence and self-sufficiency in the various newly-formed countries.

In the meantime, France was rapidly rising to power as a dominant influence on the Continent, and the various newly-formed states were resorting to every type of political jobbery to secure her cash and goodwill in exchange for their support to isolate Germany and prevent her from gaining a foothold in Central Europe.

When the Depression Hit Europe

This was the line-up when the depression hit the world in 1929. It could not have come at a worse time. The war had killed off the generation that should have been mature and able to meet this crisis. As a result those in control were either tired old men or young immature ones, and the world had no leadership with which to meet this crisis. Only Russia had produced an outstanding genius—Lenin. The bombastic strutting young radical in Italy, Benito Mussolini, was only just getting started, using the revolutionary technique of Lenin as the basis for his Fascism.

The German Republic was meeting heart-breaking opposition from the French. The people were growing desperate and fearing a red revolt the industrialists brought about the ascendency of Hitler in Germany in the hope of establishing a middle ground. In a short space of one year Hitler, backed by a motley group of adventurers, using the same Lenin technique of revolution, became a dictator of Germany. That this phenomenon could take place in Germany fell like a bombshell on the world. Politicians everywhere began to take an interest in what was going on in Russia,—not to discover a new method of equitable distribution and justice for the masses, but to learn the technique which made it possible for a minority to absolutely control the great mass of people.

Then the whole picture on the Continent began to change as the depression grew worse. France, unable to cope with the demands of a modern industrial state, due to her peasant and small proprietorship economy, and lacking the genius for mass production, began to grow weaker and weaker internally, although she was continuing to arm herself to the teeth.

The Communists found fertile ground there for their propaganda and, ironically, so did the Germans. And while France was arming herself against her, Germany was boring from within.

Religious Factors Enter

While the world had its eyes on the Franco-German situation Mussolini had grown up almost unobserved, as Europe was not taking Italy very seriously. Her economic situation was desperate and she had no money to fight a war—so thought Europe, but they reckoned without the Catholic Church.

Religious influences had been mildly making themselves felt for some time, particularly following the official abolition of religion in Russia. It is well known that the protests by religious bodies delayed recognition of Russia by the United States. When the Nazis also began their religious persecution, and when monasteries and nunneries were being singled out for special attack, the matter began to seriously concern the Vatican.

Then came the Abyssinian victory which made Rome the strongest power in Europe politically. The Italian campaign and the battle over sanctions had been very advantageous for Germany who was not a member of the League of Nations. Her ventures into the forbidden Rhineland territory, with Italian acquiescence, had been very successful. She received conciliatory response to her feelers for the return of her African colonies. Germany began to look to Mussolini for leadership. She softened her attacks on the Catholic clergy. She now began to seriously and vociferously demand the return of her African colonies from England. This fitted in very well with Mussolini's own plans for the dismemberment of the British Empire. He has made the symbol of his ambition the inspiration of the Italian people. He continually reminds them through every form of propaganda of their former greatness. In Rome, opposite the ruin of the Colosseum, on a wall in which is said to be the entrance to Nero's Golden House—where all can see—he has set up a plaque showing a map of the ancient Roman Empire in all its glory—with England merely an uncivilized outpost.

The Anschluss between Austria and Germany became a fact when Mussolini withdrew his opposition. And the Austrians themselves welcomed this economic alliance. Her poverty-stricken people had experienced their first come-back since the war during the time of sanctions, when Austria was a gateway for supplies from Germany to Italy.

The strength of Italy has produced new allegiances from the Baltic states through the Inter-Danubian Basin down to the Adriatic. France has lost her influence. Her alliance with Russia—which was forced on her by her tremendous "left" majority—cost her the support of her old satellites.

Today the chief opponents bitterly facing each other in Europe are England and Italy. The Civil War in Spain is their battleground for the control of the Mediterranean. Italian domination in Northern Africa would offset the English control of Portugal. The Balearic Islands, in the hands of Mussolini would nullify the English base at Gibraltar. In spite of protests and claims of neutrality to the contrary, there is every evidence that Germany and Italy are supporting the Rebels, in Spain, while France, Russia and England are supporting the present Spanish government.

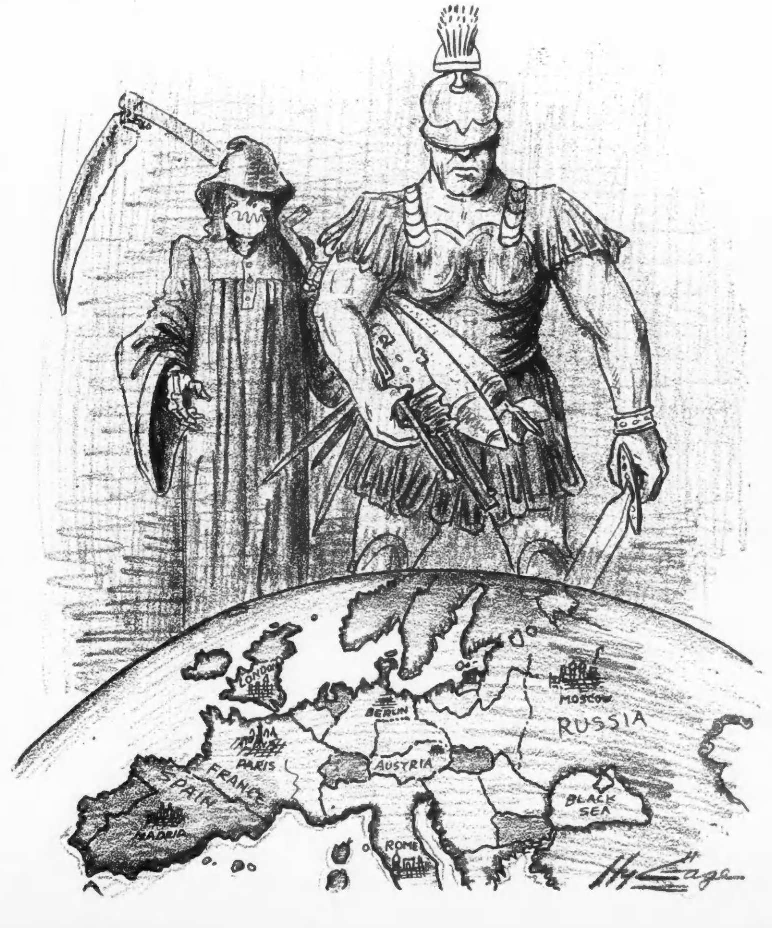
The most serious thing that could happen at the moment would be to have France and the radicals in Portugal attempt to flank the Rebel armies and defeat them. Would Italy accept this merely as a setback, or would she use this occasion to strike while England is still unprepared?

The possibilities of a war between Russia and Germany are not as imminent as would appear on the surface in spite of Hitler's abuse of Stalin and Communism in his recent address. Each nation hesitates to invade. Those verbal attacks were meant for home consumption,—to impress the German people with Hitler's courage and daring. Actually, he knew very well that there was no possibility of a Russian invasion following his abuse, nor was he likely to attack the Soviets.

In dictatorship itself lie the seeds of war. The welfare of the people does not enter into the plans of this form of government. Dictators—like the robber barons—look upon the armies as their personal armies and will order them to battle when they find their position of supreme power is being threatened. They are playing for high stakes—and will stop at nothing. Their idea is to weaken their opponents at any cost. Witness the dangerous propaganda that is being spread among the Moslem countries to rise against their Christian neighbors—that may act as a boomerang. Looking back on history we know how devastating such a war can be.

Yet the situation everywhere today definitely points toward war. Only a miracle can avoid it. Are we going to be drawn into it? That is the serious question for us to consider. Already in the United States Father Coughlin is thundering out against Communism. Yesterday Cardinal Hayes pointedly advocated rooting it out. Today Communism drew the fire of Alfred E. Smith. But what about the dangers of Nazism and Fascism? There is little

(*Please turn to page 742*)



What's Ahead for the Market?

By A. T. Miller

DESPITE a few spots of strength, notably in nonferrous metal stocks, the general trend of the market has been moderately downward. For the immediate future the only technically favorable comment that can be made is that reactionary tendencies thus far have been accompanied by a shrinkage in trading volume rather than any evidence of significant momentum.

The Maine election, in which many traders had looked hopefully for a speculative clue, has come and gone, without telling us much more than we knew before. Superficially, it might be held that recent mild recession in stocks reflects a consensus of speculative and investment opinion that the Maine results were favorable to the New Deal. They were favorable to the Democratic side, indeed, in the sense that they revealed the absence of a landslide for the Republicans—but no one with a modicum of political intelligence could have expected any such thing.

As we see it, the voting in Maine, as well as in several state primaries elsewhere, strengthens the belief that the national election will show a fairly close division of public sentiment unless the October campaigning produces a more clear-cut shift in alignment than is now apparent. Such being the expectation, we believe it will tend to hold the stock market within the trading range of recent months until after election. A strong political drift either against the New Deal or for it would leave investors and traders with a basis for decision. It would be absurd to hold that the continued presence of Mr. Roosevelt in the White House would be bearish on the stock market, for in the three and a half years of his administration we have had a major business recovery and a huge advance in the markets. Whether our position is sound or artificial or partly both is beside the immediate point.

It is uncertainty as to the election's outcome, rather than any definite conviction, that will influence investment psychology over coming weeks. In our opinion this factor will tend to restrain investment demand, and without a firm investment demand we have seen that the market on the average can make little significant progress. It was the waning of investment demand last February and March, rather than an excess of speculation, that paved the way for the severe intermediate reaction in April.

Looking back to that period, the Dow-Jones industrial average established successive new highs of recovery on February 19, March 6 and April 6, but market volume on February 19 was 4,580,000 shares, declined to 2,890,000 on the next advance and fell further to 2,030,000 at the high of early April.

In recovery from the April reverse this average had made up all lost ground by late July and reached another peak on August 8. This was a Saturday and volume of 870,000 shares was equivalent, let us say, to 1,900,000 shares for a full trading session. There came a further advance marked by the peak of September 8 and on this the volume was only 1,720,000 shares.

Throughout this long period our own index of 295 stocks has failed to penetrate the February-March area of resistance so plainly shown on the accompanying graph. It is clear, therefore, that we have seen a more selective movement than prevailed throughout the 1935 advance and up to February of this year and that around the upper level of the trading range shown by our market index for the period since March there has been a tendency for investment demand to contract.

Accordingly there has been nothing in the recent performance to alter our previously expressed opinion that the market, even allowing for selective strength here and there, will probably remain within the range marked out by the average high and average low of April until a fresh stimulus to major extension of the bull movement is developed either in the course of events or from some change in psychology. We are unable to see a logical basis for such change until the election is out of the way.

In applying this view to the individual's market policy, our doubt as to the immediate prospect should concern only short-term trading commitments. As to investment policy, we see no cause whatever for expecting a reversal of the recovery cycle now so firmly established; nor do we believe it is worth while to alter longer range speculative commitments, provided they are of conservative proportions, in an effort to play for an intermediate reaction which may or may not develop in this waiting period between now and election and which we doubt in any event will reach the average low of last April. Both as to investment and longer range speculative commitments, discriminating selection remains of paramount importance. Blind optimism has produced few profits this year. It remains, as for many months, a market of many stocks and many trends; and whatever the *general* considerations have been and may be, the great majority of stocks which have shown important advance have done so on the basis of good current or prospective earnings.

Election uncertainty restricts investment demand and over next fortnight probably will hold the market within the trading range of recent weeks. Caution in short-term operations is advised. No change is indicated in investment or longer range speculative policies.

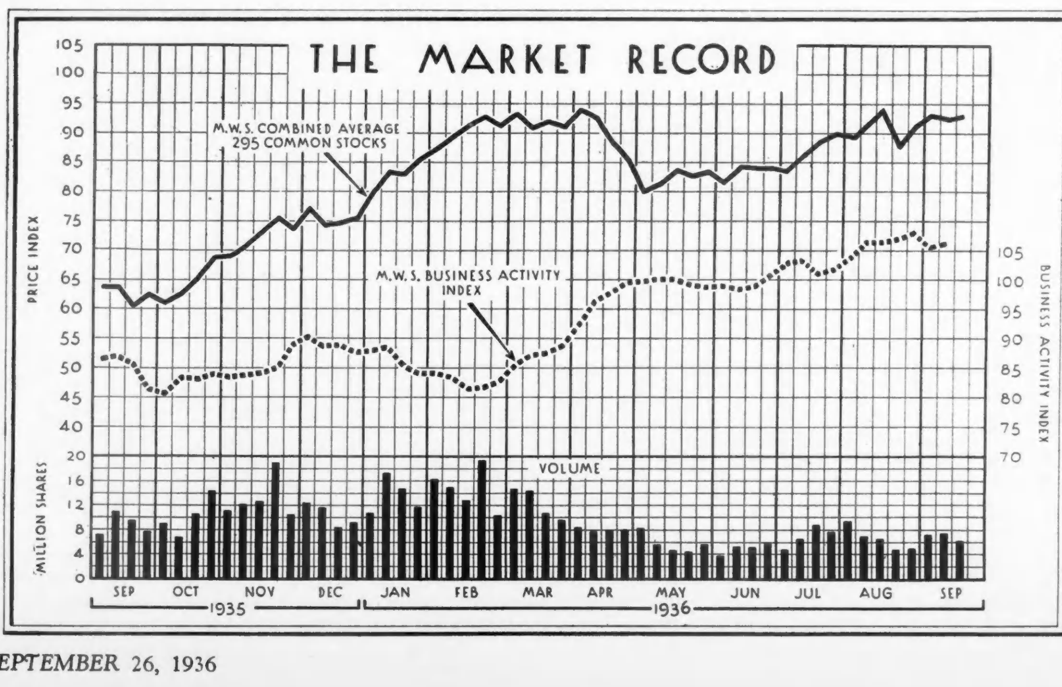
Looking further ahead we see no practical point in worrying over increasing labor difficulties or the obviously alarming European situation, for no one has a basis for forecasting either the timing of actually disruptive events from either of these quarters or their scope and duration. On the other side of the picture, the fundamental fact is that the forces making for recovery in the United States are undiminished. The potential demand for goods of all kinds—and especially for modernized production facilities—amounts to untold billions of dollars. A huge backlog of surplus corporate cash, low interest rates, a strong market for new security issues, rising corporate profits and dividends, continued heavy spending by the Government, expectation of firm to higher commodity prices and persistent increase in public purchasing power are gradually converting potential demand—swelled to enormous proportions by the years of deferred buying and cumulative obsolescence—into effective demand.

It is true that comparison in the months just ahead will be with a steeply rising business activity line during the fourth quarter of last year, incident to November introduction of the 1936 automobiles and heavy motor production right through December. Nevertheless our adjusted business index now stands some 25 per cent above the level of a year ago and about 13 per cent above the highest level of the fourth quarter of last year, even though motor production at this writing is at low ebb as the industry begins to swing over to the 1937 cars.

Thus, while percentage comparisons of business activity and company profits cannot be expected to make such favorable showing as in recent months, actual business activity for the closing months of the year will unquestionably be the best for this period since the recovery trend began.

On the unfavorable side, it may be cited that farm income will make less than seasonal gains, due to the drought and especially to the fact that July and August brought abnormally large marketings of livestock and other farm products as farmers took advantage of favorable prices. It may be held that higher food costs are unfavorable because they tend to curtail ability of many families to buy other goods. It is probably true also that forward buying in many commodities has recently been of considerable proportions, although inventories generally remain of little more than normal proportions and although none can say that forward buyers have over-estimated the business outlook. Maybe they have, maybe not. A year ago optimistic business estimates proved too low.

Against all such minor unfavorable factors, we pin our optimism on the continued power of the financial factors at work and on the vitally significant recovery in steel, railroad equipment and other heavy industries now in progress. This long awaited upward surge in the capital goods industries is nowhere near a peak, even though temporary interruptions are possible. Ultimately it will close the remaining gap between depression and prosperity.



Weighing Fourth-Quarter Business Prospects

By John D. C. Weldon

From an etching by Pennell, Courtesy Kennedy & Co.

DURING the fourth quarter of last year business men were wondering how much of the trade generated by change of schedules in the motor industry had been "borrowed" from 1936 volume. In the first quarter of this year they worried over what Congress was doing or might do. Came the summer, and they wondered how important the usual seasonal recession would be. Next on the worry calendar was doubt that the second half of the year could be nearly as good as the first half, what with a political campaign opening up and the Presidential election in the offing.

Given average intelligence, one can always find something to worry about. At present the cost of food is going up. May not that reduce the buying power available for manufactured goods? There is a terrible mess in Europe. May not this adversely affect American business? There are labor troubles here, there and the other place and the probability of some strikes. May not this disturb business confidence? There is doubt whether recovery can continue when, as and if the Government's spending is reduced. May not this retard capital expansion?

Well, considering the load of fear and worry that business is supposed to be staggering under, it certainly presents a surface appearance of surprising—indeed amazing—health and vitality as we come to the final quarter of the fourth year of recuperation.

A few months ago there was a fatalistic business conviction that President Roosevelt would certainly be re-elected. Nevertheless, economic progress continued—so strongly that no semblance of summer let-down appeared. Today it appears reasonably clear that the election will be close. If political fear could not halt the tide when it was generally felt that a New Deal victory was assured, why should it do so now when such victory appears considerably less assured?

The fact seems to be that the groundswell of recovery—whether natural or artificial or both—has now attained such a momentum that nothing can stop it this year. With its longer term character this article is not concerned. Indeed, in this uncertain world, it would be a most rash analyst who ventured any specific forecast over a period longer than three months ahead. We know, beyond doubt, only what we see today, and upon what is visible today we largely shape our expectation of the near future.

And today we see a volume of business larger and broader than almost anyone a year ago thought would be possible. For some years we have been thinking of recovery in the future tense, something to be looked forward to. So accustomed to this train of thought have we become that it is difficult to realize that recuperation is now an accomplished fact, that we are in sight of a *normal* level of business, that we need no longer look back to 1929 as some formidable peak to be regained but as a milestone which in time will have no more statistical significance than 1910 or 1897.

In this gratifying transition, so marked this year, the dominant thing that stands out is the progress of the heavy industries—the revival in steel, in construction, in railroad equipment, in factory modernization and expansion. It

was precisely this revitalizing of the heavy industries that was required to round out the already strong advance in the motor industry, in household equipment and in consumption goods generally—giving the movement a balance and a momentum which, certainly for the next three months, appears invincible.

For convenience we will herewith summarize briefly the current position and near term prospect for each of the more important industries.

Heavy Steels to the Fore

STEEL—The progress being made in the steel industry can be understood by simple citation of the fact that production of the heavy steel products is now running about 45 per cent higher than a year ago, while output of the light steels is only 20 per cent higher than at this time in 1935. The big gains are being shown by such products as rails, track accessories, car wheels and axles; and in the construction field by shapes, re-inforcing bars, plates. Steel pipe output is 65 per cent higher than a year ago. Due to this activity in heavy steel and continued strong miscellaneous demand, operations of the industry at this writing are at 72.5 per cent of theoretical capacity despite the fact that sheet buying by the motor industry is at low ebb.

Output of heavy steels is more likely to expand than decline during the early future. There is no indication of let-down in railroad buying, which is filling long deferred requirements and which is supported by rising railroad traffic and revenues. The fourth-quarter prospect for structural steel likewise is favorable. While the period will be one of seasonal decline in residential construction, little steel is used in the type of residential building now popular. Industrial construction, however, requires large quantities of steel and this type of building is less subject to the seasonal influence. Various large industrial projects recently announced or pending point to good demand for structural steel.

Within a few weeks production of 1937 model automobiles by the larger makers will assume increasing momentum. This will mean a renewal of active demand for sheet steel and other steels used by this industry. Added to continuing satisfactory volume in heavy steel, tinplate and miscellaneous steels, revival of motor demand probably will carry the industry's operating rate to around 80 per cent of capacity and it will not be surprising if fourth-quarter operations, despite year-end letdown, average considerably more than 70 per cent of capacity.

CONSTRUCTION—The rate of gain in building operations has increased in recent weeks, with residential construction running as high as three times the volume of a year ago. Part of this acceleration has been due to a spurt in Government-financed P W A housing projects. Nevertheless privately financed residential building is showing a tendency to increase its previous rate of gain, reflecting further expansion in the public's buying power, the continued rising trend of realty and rental values, expectation of higher building costs and the stimulus provided by readily available mortgage credit at relatively attractive terms. All types of F H A insured loans have now passed the $1,000,000,000 mark. While it is to be doubted that earlier expectation of a volume of residential building double that of 1935 will be realized, the recent spurt should make possible a 1936 gain of around 65 per cent in this classification.

New industrial construction is running at a level approximately 75 per cent above that of a year ago and this margin of gain is likely to be maintained during the fourth quarter, even though comparison will be with a relatively good volume in the fourth quarter of last year. Larger outlays for plant expansion and modernization have been encouraged by the sustained pace of business recovery this year and by the prevailing low level of interest rates. The increased trend toward decentralization of manufacturing operations and the relocation of plants to reduce production costs and to safeguard against labor troubles will also stimulate industrial construction in coming months. Belief that construction wage and materials costs will rise is a further spur to current contract awards. As for financing, many corporations have abnormally large idle bank deposits and in recent security flotations there has been a promising tendency for the proportion of new capital issues to expand. As for Federal building projects, it is naturally to be expected that a strong effort will be made to make the best possible showing between now and the November election. After that, it will not be surprising if recovery in construction has to stand increasingly on its own feet.

Pause in the Motor Industry

AUTOMOBILES—As this is written motor production appears to be scraping seasonal bottom, with only one leading manufacturer still turning out 1936 models and with the industry swinging gradually over to a new season and new models. On present indications, fourth-quarter output of cars and trucks probably will top that of last year by approximately 20 per cent. This would carry production for the year to some 4,650,000 units, a figure exceeded only by the 5,621,515 total in 1929. Truck production for the year will attain a new all time high, approximating 600,000 units.

Dealer stocks of 1936 cars are rapidly declining, and with retail demand strongly sustained dealers from now on will be clamoring for the new models as fast as factories can swing into production. Packard and Studebaker have already introduced their 1937 cars and are well along in production. By the close of this month other makers will have started assembly lines on 1937 models but such production is not expected to assume substantial proportions before mid-October. Thereafter it will increase rapidly, contributing major support to general industrial activity throughout the closing weeks of the year. Every company is striving to swing into the new production season as quickly and smoothly as possible and no serious production

The Business Balance Sheet

Unfavorable Factors:

Rising cost of living, especially in foods.
European political instability and war threat.
Increasing labor agitation in steel industry.
Unemployment remains a heavy economic drag.
Election doubt retards capital expansion.

Favorable Factors:

Cumulative momentum of the recovery cycle.
Continued stimulus from Federal spending.
Cheap money and plentiful credit supply.
Low inventories and shrinkage in surplus stocks.
Soldier-bonus money still circulating.
Commodity prices firm to strong.
Upward trend of new capital flotations.
Strong recuperation in the heavy industries.

delays are anticipated either as regards new tools and parts or the industry's labor situation.

While the motor industry is chronically optimistic, the 1936 performance has more than justified the hopes entertained a year ago. Hence, still higher hopes for the 1937 cars appear to have substantial foundation—especially since the bigger companies are backing their optimism with heavy outlays of cold cash in plant expansion. They are betting on 5,000,000 cars and trucks for 1937. That would be only some 10 per cent more than are likely to be produced this year. Given continuation of the present basic recovery trend, it is quite possible that such a figure may be exceeded.

EQUIPMENT—Demand for machinery and capital equipment of all kinds is one of the brightest spots in the economic picture, both near term and long term. The biggest gains at present are shown in railroad equipment, though comparison is with a very depressed level. Nevertheless, even in comparison with the 1922-1927 period, the fourth quarter will carry such business to a quite respectable level. Since such activity was low a year ago, its contribution to total industrial activity and re-employment will be considerable this autumn.

While the effect of drought has been to flatten out the previous rate of gain in farm equipment sales, volume in the fourth quarter can be estimated at fully 25 per cent higher than a year ago, which would make the year's gain about 30 per cent. This without question means the best earnings for this industry since 1930.

Thanks to partial recovery in their capital goods lines, plus remarkably sustained demand for consumer products, the electrical equipment makers are well on the road back to prosperity. After the election, regardless of its outcome, the utilities are expected to place substantial orders for generating equipment, such expansion of capacity having lagged far behind the increased consumption of electricity. This activity could be expected to spurt sharply in the event the election should dissipate some of the political fears and uncertainties now afflicting the electric utilities.

In the important field of office equipment, the trend is one of gradual improvement, neither showing the sharp percentage gains of more depressed lines of equipment nor having as dynamic a prospect for immediate further gains.

In industrial machinery, machine tools are virtually back to the average level of most pre-depression years. The present large percentage gain from a year ago will be maintained during the fourth quarter, supported both by foreign demand and by pressure for modernization and increased manufacturing efficiency at home. Among other classes of industrial machinery, heavy engines of all kinds —which normally account for more than 20 per cent of the dollar value of all industrial machinery—pumping equipment, dredging and excavating machinery, cranes, hoists, elevators and concrete machinery are still greatly depressed but on the way back.

METALS—Due both to general recovery and to the development of new uses, copper is gradually working back toward a new level of prosperity—which will probably be considerably under that of the last boom years, but nevertheless substantially above present volume and price. Stocks, both foreign and domestic, are moderate, having been declining for months. Consumption shows sustained improvement. Hence the fourth-quarter outlook is good. Production quotas, both abroad and in this country, have been increased, reflecting a view of dominant copper interests—especially the British—that too rapid advance in the price would be unwise in that it might bring out high-cost copper in excessive volume. Nevertheless the increased output has been absorbed with ease, suggesting that either there must be a further boost in production before long or else another advance in the price. Either move would increase the industry's earnings. Indicative of future possibilities, it is reliably estimated that the volume of copper used in construction this year will establish a new all-time high, although total building remains far under a normal level.

Lead is favored by gradual recuperation in demand, but

(*Please turn to page* 733)

How the Major Industries Will Fare in the Fourth Quarter

Automobiles—Passenger car output 20 per cent higher than a year ago. Trucks will complete record high year.

Steel—Most active fourth quarter since 1929, with seasonal peak close to 80 per cent of capacity.

Construction—Despite seasonal decline, total will remain 65 per cent to 70 per cent over year ago, with industrial building making best fourth quarter showing.

Railroads—Loadings for peak week in October should top 800,000 cars, best showing since recovery trend started.

Rail Equipment—The huge nine months' gain over 1935 is likely to be maintained, if not moderately bettered.

Utilities—A new all time high in consumption of electric power for the period is certain to be seen.

Utility Equipment—Long deferred demand for generating equipment will be unloosed by election and will spurt sharply if Landon wins.

Farm Equipment—Drought losses will flatten uptrend but volume expected to be highest since 1930.

Machinery—Reflecting plant modernization and foreign demand, machinery business will be at least 20 per cent above a year ago.

Office Equipment—Chief factors producing gains of past year continue operative, indicating volume 10 to 15 per cent over 1935.

Copper—Upward trend in consumption and decline in world stocks will continue. Price firm to moderately higher.

Chemicals—Volume of the more diversified companies now at record high and no relapse is likely.

Petroleum—Stability in period of seasonal decline in demand will require effective control of production of crude and gasoline.

Retail Trade—Dollar volume 12 to 15 per cent higher in aggregate and best since 1930, with mail order division leading.

Textiles—Rayon and cotton goods outlook better than a year ago; silk and wool goods in less favorable position.

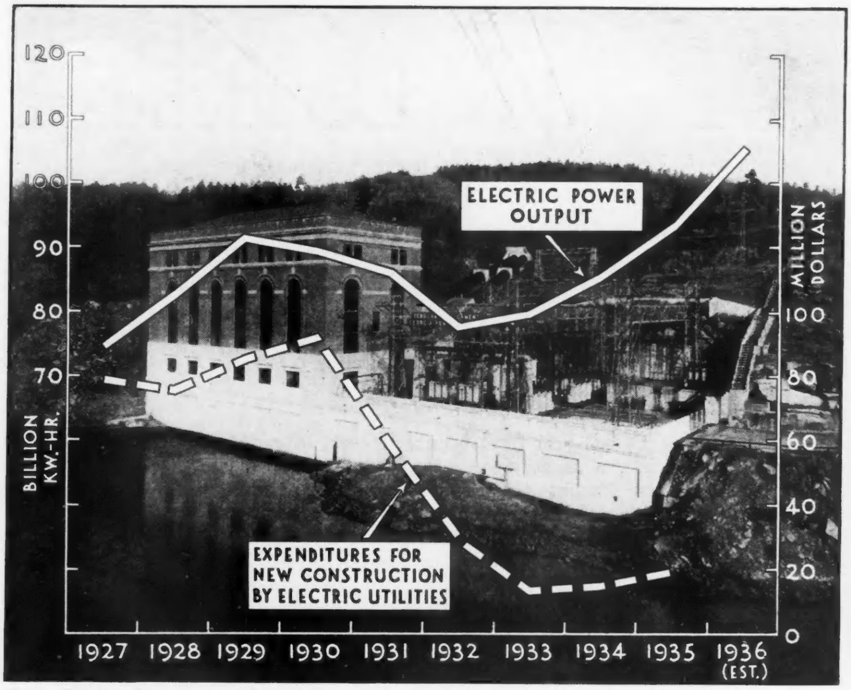
Tin Containers—Fruit and vegetable pack lower but higher meat prices boost pack of salmon and tuna fish. Seasonal decline in canned beer and oil.

Glass—No change indicated. Soft drink bottles down, hard liquor and toilet containers up. Building glass down, automobile glass up.

Sugar—Control schemes plus rising consumption point to favorable fourth quarter position.

Liquor—Increased public spending and seasonal factor will boost sales. Price outlook clouded by heavy stocks in storage.

Motion Pictures—Patronage in seasonably favorable period will be virtually back to boom high.



Photo, Courtesy Commonwealth & Southern

The Utilities Must Spend

Facilities Lag Behind Record Power Demand

By Francis C. Fullerton

FROM the birth of the electric power industry up to 1929 its investment in capital facilities doubled about every seven years. Then came the depression. Industrial demand fell away and the utilities cut expenditures to the bone.

With 1933 came a strong turn in the economic tide—but the same New Deal Administration whose early actions so greatly helped the recovery cause forthwith launched the bitterest governmental attack on the public utilities that this country has ever seen. Vituperation, investigations, legislation, competing "yardsticks," subsidy of municipal plants. Naturally, the utilities kept their pocketbooks closed as tightly as possible.

There has been no surcease from the Federal attack, nor from the local political attacks encouraged thereby—but the utilities find themselves facing a dilemma: namely, how much longer can expansion of generating facilities be safely deferred? The consumption of electricity has not only recovered all the depression loss but has shot up to a new all time high. It will rise further in coming months. True, generating capacity has also increased since 1929; but the margin between it and probable maximum demand must be considerable and this margin is now well under normal.

The consumption outlook is clear. On the domestic side, the saturation point in the market is yet far away. The number of domestic consumers is increasing every month. They are now using an average of about 700 kilowatt hours of electricity a year, against only 500 in 1929, a gain of 40 per cent in seven years. Further growth in use of appliances of all kinds will lift this consumption rate still higher. On the industrial side, we can count both on further cyclical recovery and further long-term growth in application of electricity.

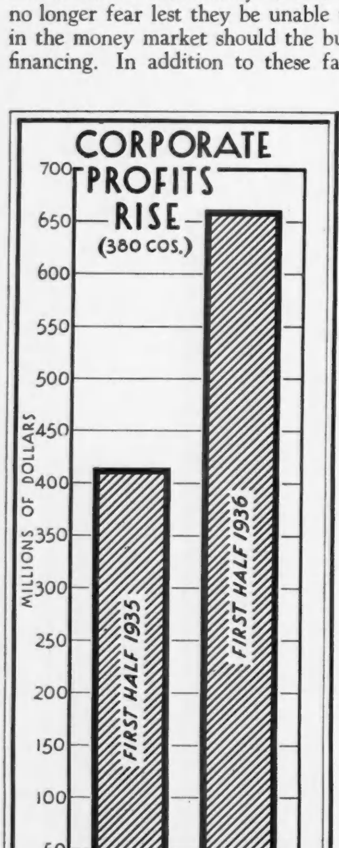
Two plus two equalling four, the utilities must begin to buy equipment without much further delay. It is a safe bet that such spending will increase substantially after the election and assume important proportions during 1937—another step forward in the nation's rehabilitation. It may tax the capacity of the equipment makers if a Landon victory should release it in a sudden rush during the closing weeks of the year.

A Flood of Dividends Due

Higher Corporate Earnings Plus the Demands of the New Tax on Undistributed Corporate Profits Indicate Many Dividends in December

ALTHOUGH the newspapers this year have been full of dividend increases and extras, it is very much to be doubted that the movement has reached its crest as yet. A veritable flood of dividends is due following the election in November and it will make little difference whether the present Administration is returned or whether it goes down to defeat.

Dividends, of course, primarily depend upon earnings and we know that corporate earning power in general will be considerably higher this year than last. This alone would indicate larger and more general distributions to stockholders. Particularly is this so as corporations need no longer fear lest they be unable to obtain accommodation in the money market should the business require additional financing. In addition to these factors, however, corporations are faced this year with the tax on undistributed profits. This tax was designed to force companies to distribute to stockholders a larger proportion of earnings: it bids fair to attain its objective in large measure. As the corporation can only obtain a tax credit for any particular year on dividends actually received by stockholders in that year, it is only reasonable to expect that the coming flood of dividends will be ushered in by declarations immediately after the election in November, the actual distribution to be made in late December.



Among smaller companies especially, there are many hoping that a change in Administration will result in the retroactive repeal of the undistributed corporate profits tax. These are companies which need additional working capital and they are faced with the problem of whether to build it up out of earnings and pay dearly for the privilege or whether to attempt to raise the additional working capital by financing. While it is unquestionably true that under the present day conditions it is much easier for a large company to finance than for a small company to do so, nevertheless there are many of the latter which will attempt it when they realize that there is only a very remote chance of the objectionable undistributed profits tax being repealed whatever the result of the election. Thus, even among smaller companies and those not overly well supplied with working capital, one can expect larger dividends in coming months.

Phillips Petroleum, of course, can not be classed with the small companies to which we refer above. However, as the first company to pay out to stockholders more than it thought really should be paid and then to reimburse itself with an issue of additional stock, it points the way to what may well become common practice. Phillips offered stock in order to raise money to pay off loans and to restore bank balances previously spent in expansion because "current income cannot be used to liquidate indebtedness without paying excessive taxes."

What Type of Company Will Pay?

While in theory it may be possible for a company to distribute to its stockholders all its earnings and then raise funds by issues of "rights" and undoubtedly many will pursue a modified form of such a policy, nevertheless there will be many which, for various reasons, will decide that the best interests of their stockholders will be served by paying only a moderate dividend even though they are heavily taxed on what they retain. These may be companies whose common stock capitalization is already large and whose need of funds might not be easily filled by issuing rights. Then there are companies, restricted in the payment of dividends by provisions of bank loans, bond indentures, or even by state laws. These, of course, cannot be among those from which the flood of dividends is expected.

The type of company which is likely to be most generous to stockholders is one that has good earning power, ample cash resources already built up and whose business shows no signs of needing any large sums for expansion. The type will be found more frequently among companies in the consumers' goods field than elsewhere. It must be admitted that most companies that are clearly in such a position are already distributing the greater part of their earnings to stockholders and cannot do a great deal more of a sensational nature. At the same time there are many companies that would have been perfectly will-

ing to continue to strengthen themselves further at the expense of a stockholder's dividend which will now be induced to take a more liberal attitude and pay out. Even some of those companies—the heavy goods manufacturers are fair examples of the type—which have only recently passed the profit point and are now rolling up substantial earnings for the first time in several years, will face the necessity of initiating dividend disbursements at once or be taxed heavily for the privilege of rebuilding their surpluses or reserves.

Of course, what is actually done in any particular case will depend upon the kind of business in which a company engages and the resources relative to this business that it might have on hand. A company whose business is static can afford to pay out a larger percentage of earnings than one whose business is dynamic; merchandising companies which can foresee the possible need of carrying materially heavier inventories at higher prices will be less disposed to distribute their earnings than companies whose inventory is of minor importance. There are literally scores of other factors that a corporation's directors must take into consideration before establishing a dividend policy.

In the past, stockholders have often failed to realize this. In the future they are even less likely to appreciate the reasons why a company should distribute only a small proportion of its earnings and then pay large taxes on the amount retained. The cause, however, is likely to be valid and corporate officials would be wise to avoid any misunderstanding on this score by a lucid explanation of the reasons for their course.

Bigger Dividends Indicated

In the accompanying table will be found a list of companies which, in our opinion, are likely to distribute initial dividends, larger dividends, or extras before the year's end. While the list has been carefully selected and all known circumstances taken into consideration, there may be instances here and there where for causes unknown outside official circles favorable dividend action can not be taken. Thus, merely because some company in the accompanying list fails to take the dividend action anticipated, it should not be taken necessarily as malfeasance. After all, the directors of a company have been elected by the stockholders to run the business and, with some few exceptions, they do so to the best of their ability.

Candidates for Larger Dividends

	—Earned per Share— 1935	1st 6 mos. 1936	Est. 1936	Dividends Paid or Declared to Sept. 18 1936	Recent Price
A					
Allis-Chalmers	1.47	1.55	4.00	0.62½	55
Am. Brake Shoe & Fdry	1.70	1.26	3.00	1.10	60
American Chain	4.11	3.69	....	....	57
American Chicle	5.94	3.32	7.00	4.00	105
Am. Smelting & Refining	5.01	....	8.00	1.80	83
Anaconda Copper	1.29	0.67	1.50	0.75	40
Armstrong Cork	2.84	1.38	3.00	1.12½	50
B					
Borg-Warner	5.89	2.94	6.00	3.50	78
Briggs Manufacturing	4.77	3.47	5.00	2.00	57
C					
Caterpillar Tractor	3.16	2.84a	4.50	1.50	75
Chesapeake Corp	4.03	1.99	5.00	3.00	80
Chesapeake & Ohio R. R	4.03	3.25b	5.25	2.80	67
Chrysler Corp	8.07	6.83	10.00	6.50	113
Cluett, Peabody	1.38	1.50	4.50	0.75	50
Columbia Pictures	6.29 l	4.96 l	....	1.00*	38
Columbian Carbon	5.56	3.43	7.00	3.50	121
Congoleum-Nairn	1.82	0.84	1.80	1.20	34
Crown Cork & Seal	3.87	2.19	5.00	1.00	80
Cutler-Hammer	1.82	1.73	3.50	1.50	65
D					
DuPont de Nemours	5.04	3.27	7.00	4.10	162
F					
Fairbanks, Morse	2.47	1.35	....	0.50	57
Firestone Tire & Rubber	1.53d	0.70c	....	0.90d	28
G					
General Electric	0.97	0.58	1.30	0.95	45
General Motors	3.69	3.17	6.00	3.00	67
Grant, W. T	2.79e	1.21f	4.50e	1.30	42
I					
Inland Steel	6.54	3.63	7.50	2.25	110
K					
Kalamazoo Stove	2.63	0.79	3.50	0.58	41
Kelvinator	1.05m	1.18n	....	0.70	20
Kennecott Copper	1.22	0.84	2.00	0.85	49
L					
Lerner Stores	4.56e	2.67f	7.00e	1.25	55
Loew's, Inc	4.49g	4.47h	5.50g	2.00	60
M					
Montgomery Ward	2.65e	....	3.50e	0.60	48
Monsanto Chemical	3.84	1.85	4.25	1.50	98
N					
National Lead	1.08	0.57	1.50	0.50	28
Niles-Bement-Pond	1.54	....	....	1.00	43
O					
Owens-Illinois Glass	6.57	6.85j	....	3.75	140
P					
Penney, J. C	6.08	2.71	7.50	2.50	90
Philip Morris	3.75p	5.80p	....	1.50	90
S					
Sears, Roebuck	4.45e	2.60k	6.50	1.50	87
Spicer Mfg	1.39	....	....	....	30
Stewart-Warner	1.39	0.84	1.75	0.25	19
U					
United Carbon	4.70	2.73	5.50	2.55	84
W					
Westinghouse Electric	4.50	2.98	7.00	2.50	143
Western Union	5.03	3.66a	6.50	2.00	89

a—7 months. b—8 months. c—6 months to April 30. d—Year to Oct. 31. e—Year to Jan. 31. f—Six months to July 31. g—Year to Aug. 31. h—40 weeks to June 6. j—Year to June 30. k—24 weeks to July 16. l—52 weeks to June 27. *—Plus extras in stock. m—Year to Sept. 30. n—9 months to June 30. p—Year to March 31.

Happening in Washington

By E. K. T.

Climax of power project and International power pow-wow coincided when President Roosevelt in presence of World Power Conference in Washington pushed button starting Colorado River through Boulder Dam power plant. What happened at both ends of the telegraph wire renewed the question of the proper attitude of Government toward the power industry.

World Power Conference debated much, settled nothing, offended some of our own utility officials by the injection of political questions, left each delegate confirmed in his own opinion, but in the main perhaps gave each a better understanding of the others' views.

General observation is that power is largely through its technical and engineering problems, and present and future problems lie in economic and political fields. At the two previous conferences, six and twelve years ago, engineering discussion predominated; this year it was subordinated to social aspects.

But little new developed from deliberations of experts from 52 nations except common belief that as electricity becomes cheaper and more widely used it will bring social and industrial revolution of vast ramifications. How to increase use remains debatable. Government ownership advocates repeated their claims that utility regulation is disappointing and futile and that municipal plants alone hold the key to low rates. Private utility spokesmen countered with well-known arguments that low municipal rates include concealed subsidies. *A British delegate counseled: "Let us, for Heaven's sake, keep the politicians away from this industry of ours."*

Significant for the future in U. S. A. may be President Roosevelt's address on vicious circle of electricity being expensive because not widely used and not widely used because expensive, his suggestion that present Federal "yardsticks" may break this circle and bring wide use. "If these are not sufficient, the influence of additional meritorious projects awaiting development can always be added."

A threat of further government competition, an admission that T V A, etc., are not primarily for the constitutional purpose of navigation but to force down power rates, is what utility executives saw in those words.

The raindrop enters politics through drought control plans and deliberations of Up-Stream Engineering Conference. How to handle rain and the lack of it both on the land and in the streams is seen as long-time problem for America. When technical aspects are evolved, question will be: how much should Federal Government do, how much state governments, how much land owners? Recommendations of President's drought committee are criticised as depending too much on Federal Government, reflecting ideas of theoretical planners, not giving enough consideration to state planning boards and practicalities of problem.

Washington Sees—

Continued use of Federal "yardsticks" to force down electric power rates.

Land and water use and stream control a long-time national problem, with political and business aspects.

Possibility of a working arrangement between government power projects and competing utilities.

Further retailer legislation in wake of Patman law.

Telephone investigation renewed.

Stabilization of land values an Administration ideal.

Social security insecurity a growing problem.

Supreme Court again to the fore as possible block to New Deal legislation.

Truth is water control has both local and national angles. Farmers themselves must learn best moisture and soil saving practices, but when water reaches rivers it is national problem. *Flood control engineers are now working upstream, which means hundreds of little dams and reservoirs. Each little dam is potential electric power source. Thus conflict of government hydro plants with privately capitalized utilities is projected far into future.*

The T V A solution to this, as explained to World Power Conference, is regional power pools with public "authorities" leasing private facilities, drawing on private and public power sources as needed, establishing uniform rates as low as possible, expanding electricity use, scientifically developing region's power sources, insuring earnings basis for private investments.

No news on Patman act enforcement is good news. Means that Federal Trade Commission is not crusading. Twenty or more cases under investigation are approaching the formal complaint stage, which eventually will clarify responsibilities of business under this controversial law. Safe bet that F T C will not choose picayune matters for test cases, will try to make first cases paint broad outlines of administration. Meanwhile dozens of inquiries get informal, unofficial answers, which, while none too definite, are assurance that commission is not arbitrary, is feeling its way and depending on business to find its own solution to the new problems presented in avoiding price discrimination.

Not satisfied with their victory in Congress, independent retail interests which got Patman law through are planning series of similar laws in all states, to plug intra-state commerce loopholes.

State fair trade laws are also being pushed, particularly by grocers and druggists, under which manufacturers may contract with retailers to maintain resale price of trade-marked goods. To make these effective, Congress will be asked to enact Federal law permitting such state laws to apply to interstate transactions. Tydings bill for this purpose passed Senate last spring, died in House.

Telephone investigation by Federal Communications Commission will be renewed with vigor following staff realignments. Will avoid sensationalism which marked earlier hearings. Investment, service charges, depreciation, costs, and similar matters will be stressed. F C C's hope is that ultimate result will be reduced long-distance toll charges and lower service charges to local companies.

Civil service extension to New Deal agencies can be expected gradually in the future. President's request that H O L C and Federal Home Loan Bank Board co-operate with Civil Service Commission in securing new personnel is little more than a gesture, but it indicates a trend.

No international economic conference is on the diplomatic horizon, recurrent rumors to the contrary notwithstanding. Too many complicating factors, both here and abroad.

Commodity exchange act took official effect without a ripple in the trade, due to long series of conferences between officials and traders. But court tests loom, not so much because of present restrictions of the new law as fear of excessive regulation to come. *Consumers are not at once affected, but may benefit in long run through elimination of violent price fluctuations.*

Stabilization of land values is one of objects of President's conference with insurance executives. All political implications disclaimed. Thought is that since Government and insurance companies constitute largest farm and home mortgage lenders they should co-operate to exchange information and prevent excessive valuations.

Court test of holding company act reaches active stage as S E C and Electric Bond & Share file briefs in New York Federal Court, having agreed on stipulation of facts. This is the case S E C picked as a test, attempting to stave off other cases and let this get to Supreme Court first. Ostensibly it concerns only obligation of holding company to register, which S E C says is no burden. Company claims registration means submission to entire law, which is unconstitutional on several points. May take a year to reach Supreme Court on its merits.

Meanwhile S E C will go ahead with attempt to enforce the law as written. Example is uniform system of accounts for public utility holding companies promulgated for registered companies.

Supreme Court returning for its October session will find on its docket tests of constitutionality of half a dozen or more New Deal laws, including S E C, labor relations act, P W A power loans and grants, farm mortgage moratorium, holding company act, communications act, social security. Thus conflict of Administration versus courts will continue in headlines.

Reciprocal trade agreement negotiators hint that after election they will put through several substantial and satisfactory tariff bargains with foreign nations. England is the most likely prospect, but there are many obstacles, including the Empire preferential agreements. But both the Empire agreements and our reciprocal tariff law expire next summer, so grounds for agreement may be reached in the spring. Japan indicates she would like to negotiate, but U. S. sentiment seems to be that any tariff changes toward Japan must be upward, making it hard for Secretary Hull to find any grounds for a bargain.

Trouble for government contractors is at hand as the Walsh-Healey act takes effect September 28. Regulations issued by the Secretary of Labor indicate an intention to enforce the law as strictly as possible, but employers are given a few breaks. It had been feared that every time a firm supplying anything to the government wanted to work employees more than 8 hours in one day or 40 hours in one week he would have to get a specific exemption from the Secretary of Labor, but the regulations provide that "until otherwise set by the Secretary" overtime is permitted on payment of time-and-one-half the basic pay. It is also made clear that the act does not apply to office or custodial employees.

Definition of a "regular dealer," designed to prevent bid-peddling, is so narrow as to exclude many bona fide brokers and dealers. The controversial open market purchase exemption of the law was amended by regulation to apply only where the contracting office is authorized by statute to purchase without advertising for bids, and as there are no such cases for purchases of more than $10,000, and as contracts for less than $10,000 are exempt anyway, this provision becomes meaningless. Government purchasing agents are expected to contest this.

Political plums hang high as the President takes his time about filling a score of Federal posts, some of them carrying high salaries and much responsibility. The list of vacancies is greater than it has ever been except

(*Please turn to page* 744)

What the Presidential Polls Show

With over a quarter of a million votes cast, The *Literary Digest* poll shows Landon leading Roosevelt by 3½ to 2 in the thirteen states on which the report is made.

Governor Landon received 59.5% of the 450,116 ballots cast so far in 36 states in the "Grass Roots" poll being conducted by 3,000 country newspapers.

***The Institute of Public Opinion* in the latest poll shows a somewhat different picture than those above. It credits President Roosevelt with 52.6% of the national vote and Governor Landon with 47.4%. In electoral votes this poll gives the President 275 and the Governor 250.**

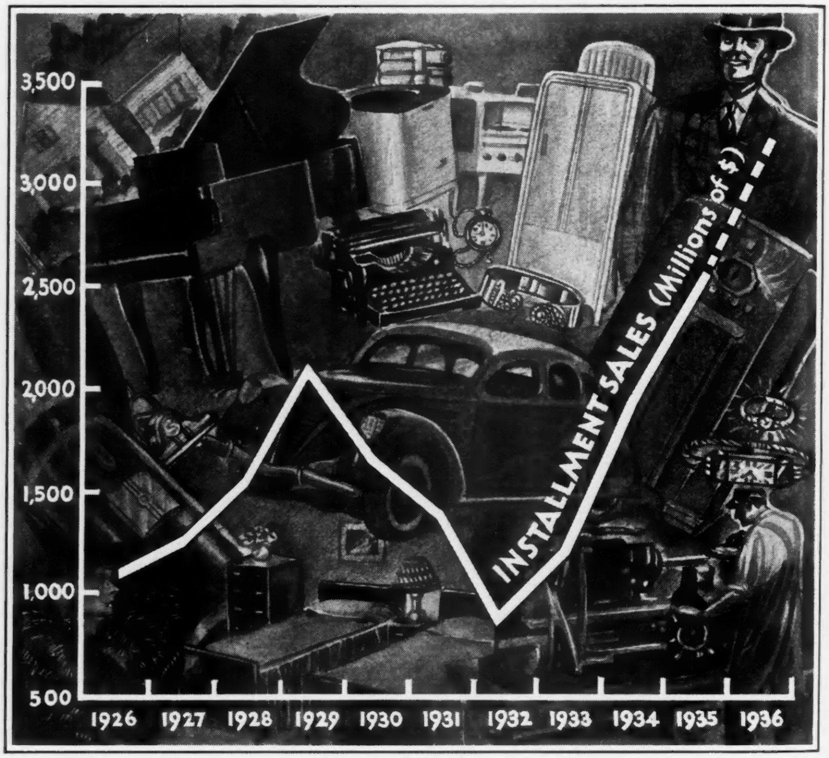
Another evidence of fairly close division of public choice is suggested by the *National Barometer Poll* which reports that in 21 states neither Landon nor Roosevelt has more than 55% of the major party vote.

Accelerating Business Credit

The Modern Road to Expansion

By HENRY RICHMOND, JR.

TO its proponents, installment selling provides the means whereby a man in the lower income brackets can obtain a comparatively high-priced article which he otherwise would not have been able to possess: to those that oppose it, installment selling is an evil which entails the borrowing of future income for present enjoyment. In actuality, however, it makes not the slightest difference which of these views is the correct one: nor does it matter if the truth lies somewhere between the two, as it probably does. Installment selling, like tobacco and other things which are anathema to some, has now reached the point where it is only sensible to accept it and make an endeavor to appraise its fundamental economic significance.



There are no exact comprehensive figures available, but based upon what we *do* know about the business it is a fair enough guess to say that a good 10 per cent of our entire retail trade is carried upon the installment plan. This will be in the neighborhood of five billions of dollars this year. About 60 per cent of all new automobiles are sold on installments; an even larger proportion of used cars are sold on the same basis. Between 80 and 90 per cent of all electrical refrigerators, ironers, washers and other household equipment are sold on the time-payment plan. The list of articles which a man may buy on installments is growing daily and more and more people are availing themselves of the facility.

From the purchaser's standpoint the installment system is generally understood. A man knows that he can gain possession of a new car by paying as little as 25 per cent down and that after having made eighteen or twenty-four monthly payments, the car will be really his own. Because he sees only that he is enabled to buy his car on this basis and because he will make his payments to a company other than the dealer from whom he made the purchase, it is his quite understandable belief that it is he himself that is being financed. This, however, is not quite true. What happens is this: he buys the car from the dealer and obtains possession but not title and the various documents he has signed are then turned over by the dealer to the finance company at a discount. As no money was ever advanced the customer, it is apparent that it is the dealer who is really the one financed. This is not a distinction with no difference, but an important point to which we shall return later.

Mention was made of a dealer turning his retail automobile paper over to a "finance company." Let us look into these companies. Here, a startling discovery will be made. The field is dominated by three companies, each of which is exceedingly prosperous. The three are: Commercial Investment Trust Corp., General Motors Acceptance Corp. and the Commercial Credit Co. and between them they will do a gross business of well over three billions of dollars this year. To each of these three companies, the automobile is the most important single source of revenue. In the case of General Motors Acceptance, it accounts for more than 95 per cent of the total. It must not be thought, however, that these companies finance only the automobile dealer's sales

at retail, for a very large part of their business is financing the dealer at wholesale—i.e. providing him with the wherewithal to put the stock on the show room floor in the first place.

In addition to the financing of automobiles, the business of Commercial Investment Trust and that of Commercial Credit has other important phases. Both, for example, carry on extensive factoring operations. This means that a manufacturer by paying a fee and agreeing to submit the names of his prospective customers and the amount of goods that they propose to buy is relieved of the necessity of maintaining his own credit department, is guaranteed against a loss from bad debts and relieved of the burden of slow collections. Also, both companies will finance the purchase of new machinery, manufacturing equipment or other apparatus, the owner of the plant paying for it just as he would for a new car—on the installment plan.

Much Money Required

Now, it is quite obvious that the financing of installment sales and the financing of accounts receivable as carried on by these companies requires a great deal of money. Where do they get it? Some of it, of course, is the companies' own capital, raised by the sale of stock and augmented yearly by the ploughing back of undistributed earnings. Another part of it was raised in the open market by the sale of bonds. General Motors Acceptance Corp., for example, has just sold $100,000,000 of debenture 3s and 3¼s. In every case, however, the greater part of the money advanced by finance companies is obtained from borrowing from banks. On June 30, last, Commercial Investment Trust showed notes payable of $213,000,000, Commercial Credit a similar item of $153,000,000, while notes and loans payable by General Motors Acceptance as of May 31 totalled the huge sum of $320,000,000.

Finance company earnings are at record levels: stock dividends, increased cash dividends and extras are commonplace. On the other hand, bank earnings are poor and such institutions are glutted with money with which they know not what to do. There seems to be something wrong here. Are the finance companies putting the banks out of the credit field: why, if the banks can lend so much money to the finance companies on which the latter make handsome profits, are they not skimming some of the installment and factoring cream for themselves?

To give the banks their due, they have looked hungrily at finance company profits and have spent a good deal of time and effort to garner part for themselves. The personal loan departments that have been springing up represent one effort. A man may borrow five hundred or a thousand dollars from his bank and pay cash for his automobile and, in this way, obtain it cheaper than under the usual time-payment plan. People who can do this, however, are only a minority; they represent the upper crust of those buying on installments. Banks relying on personal loans to get business that otherwise would go to the finance companies are not going to get very far.

On the other hand, as was pointed out previously, it is not the individual who is being financed when he buys a new car on the usual time-payment plan, but the dealer. Why cannot the local bank finance the dealer and use some of its surplus funds? Precedent is against its doing this in the first place. Originally, when automobiles were snorting, uncertain and unreliable monstrosities, bankers as conservative individuals were cold to them. Later, banks had a very unfortunate experience financing automobile dealers. The trouble seems to be that banks are not geared to enter the automobile business if the worst happens.

Admitting that this is all logical, it still fails to explain why the banks are permitting the finance companies to obtain a firm foothold in the installment purchase of industrial machinery and equipment. One would think that a loan for the purchase of labor-saving or a more efficient piece of apparatus would be a local bank's meat. In actuality, however, sometimes it is and sometimes it isn't. A manufacturer who negotiates a bank loan for the purchase of machinery in effect puts himself and his whole business "in hock" at the bank; if he buys on the installment plan, he figures that the machinery will save enough to pay for itself and, if by any chance, matters do not work out as anticipated, well . . . he merely loses the machinery, for this was the only thing pledged. Incidentally, this same argument applies to the automobile dealer: financed by the bank, he may lose all—plant, business, everything: financed by the finance company, he only loses the cars pledged.

At this point, it will be realized that the business of the finance companies overlaps the business of the banks much less than is generally thought. The two are not really competitive and the banks can look as hungrily as they like at finance company profits, but for all the practical good it will do them they might just as well covet the profits of a chemical company or those of a manufacturer of electrical equipment. Banks, for the most part are local institutions. When they attempt to cut into the business of the finance companies, they are attempting to wage war with national insitutions—institutions in whose files is matter relative to the credit standing of individuals and firms scattered throughout the whole country. Another thing: much of the finance company business is sewed up so hard and fast that banks could never hope to obtain any of it. What chance, for example, has a bank to obtain any real part of the business of financing General Motors' cars in the face of competition from the General Motors Acceptance Corp.; what chance has it with Chrysler in view of the latter's large investment in Commercial Credit? The answer is about as much as the proverbial celluloid cat pitted against the proverbial asbestos dog.

Not Without Hazards

Despite the fact that installment financing is not inaptly described as "a means whereby bank credit is made available to the masses," the former begins to appear as a growing credit phenomenon which lies a world apart from our old system of bank credit. Where is the mounting volume of this installment selling taking us: can the dim form of lurking disaster be made out lying towards the distant horizon?

Credit, like all other things is dangerous when taken in excessive quantities. We all know of individuals who have overdone their installment buying and left themselves with insufficient margin for the ordinary expenses of living. No one, however, has had experience of what happens when a country as a whole overdoes its installment buying. During the last depression, the loss ratios and repossessions of the installment finance companies increased, but by and large these companies came through with flying colors and rapidly gained new heights as the recovery gained momentum. This completely confounded the stand-pat conservatives who had freely predicted the demise of the installment finance companies at the first breath of adversity. Depression experience is now held to have firmly established these companies and their system. It was a very fair test, admittedly, but time brings changes and when the finance companies are asked to weather the next depression they will not be situated as they were at the advent of the last.

They will be different in two important respects: (1) they will be doing a bigger business and (2) they will

(*Please turn to page 738*)

Industrial Magic in Beans

Multiple Uses of the Soy Bean Affect Many Industries

By C. S. Burton

HAS the nation suddenly become soy bean-conscious? To quote Budd Kelland's cautious New England folks, it "seems so." In one way or another we are eating soy beans. They are a part of the cars we drive and the radios to which we listen. They have come to enter our lives in a variety of ways. They are of rising importance to many industries, are finding increasing favor in cattle feeding and promise to play an increasingly important part in the solution of the much talked about farm problem.

Yet it is plain that our consciousness was slow in waking, for the soy bean arrived here by way of the China clippers in the tea trade, more than one hundred and twenty-five years ago. It has been a staple food product in the Orient, of daily and universal use for centuries, and long before any written records were made.

Nesmith Photo

Ground soy bean meal

It was industrial demand that first focussed some attention on the soy bean. When the bean was brought into the laboratory it was found to have an amazing number of possible uses.

Whether its food value is to win for it a place on the table, where it can appear in a different guise in each course of an elaborate meal, from soup to salted nuts, is yet to be proven on a broad scale. It can make one clamorous bid for recognition, when appetizingly prepared; it is full of food value and carries no starch; a boon for the fat man forced to forego cereals, bread and potatoes. But pending its vogue in this direction, it currently goes into mayonnaise, salad dressings and vegetable shortenings.

In industry there is quite a different picture, much more technical and exhibiting just as many or more, scenes on the reel.

It is all something of a Cinderella story. Through the years, farmers grew some soy beans for hay and found it excellent. Agricultural experiment stations tried to see to what farm usage it might be adapted, aside from winter roughage.

It was during the World War that new uses and increase in older uses began to develop, but up to 1921, soy bean oil went mostly into soaps and to a lesser extent, into paint, varnish, and into lard compounds. In 1914, the lard compounders used 1,585,000 pounds of soy bean oil; this one use alone mounted to 34,351,000 pounds by 1917, or, multiplied more than 22 times; now this use is again to the fore. The meal holds promise of still greater importance as a raw material in the new and expanding field of plastics.

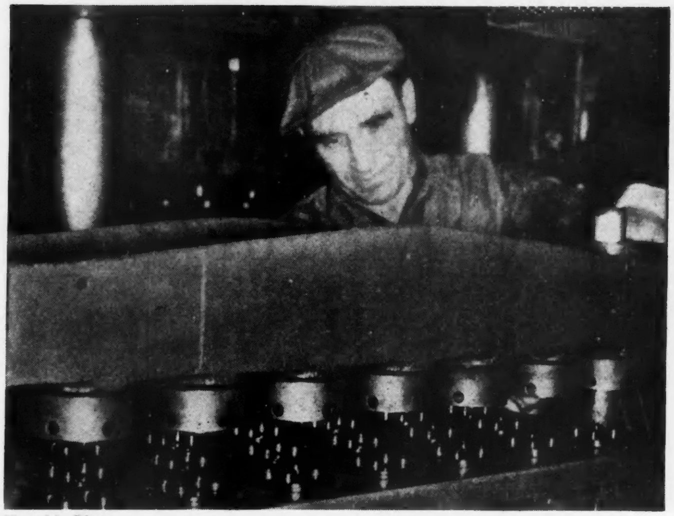
An increasing use for the oil is in paints and varnishes, where quick drying and enamel finishes are required. For example, your refrigerator which looks so like solid porcelain, sheds both grease and water like porcelain, has been finished with baked soy bean synthetics. Its resistance to grease, humidity, and its fast color, is due to the soy bean. These qualities, which mean so much to the housewife, cannot be attained in any such perfection with linseed oil, the old stand-by for paint; or perilla oil which is in a class by itself as to quick drying; or tung oil, otherwise known as China wood oil, and also a stand-by for paint and varnish.

Metal containers bearing elaborately colored designs, rolled onto the metal in the flat and then fabricated, retain their color because the primary coating and the printing colors are made with a soy bean oil basis. The metal package makers recognize no competitor for soy bean oil. As a recognition of quality, certain of the larger railroads now make soy bean oil a standard specification as one of the ingredient oils to be used in their maintenance paints. Other large users are also finding it advantageous.

So much, very briefly, and omitting necessarily much interesting detail as to soy bean oil, as we turn to the other product—the oil cake, the meal made therefrom and its part in the expanding industry of plastics.

We must perforce say a word or two about plastics to see how and where soy bean meal comes into this field. Primarily, the popularity of the radio was a huge factor in creating volume for Bakelite. This, almost the first of the plastics, after the celluloids, was enabled to build up a

huge market for radio parts and electrical furnishings. Bakelite now has many competitors and plastics are made not only of phenol—a concentrated form of carbolic acid, and formaldehyde, made from wood alcohol, but other materials are used and the products each gather some following.



Nesmith Photo

Making distributor tops from soy bean plastics

The soy bean enters the field of plastics in two ways: Soy bean meal as a filler, and soy bean protein, which is made from the meal, in the actual resin or binder. Ordinarily plastics are 50 per cent synthetic resin and 50 per cent filler. For the latter, soy bean meal is used as an alternate material for paper pulp, flax seed meal, cotton linters, wood flour or a host of other cellulose fillers. On the other hand, soy bean protein plays an even more prominent part in the binder of some of the popular plastics from which are molded radio parts, automobile distributor bases and covers, dashboard panels, timing gears, steering wheels, telephone sets and the catalogue of its uses becomes constantly longer.

In most plastic manufacture, soy bean protein is used in liquid form, but at the Ford plants soy bean meal is mixed with phenol and a certain proportion of the necessary formaldehyde and agitated in a steam-jacketed mixer, the resultant mixture being part phenol formaldehyde and part casein hardened into resin carrying the cellulose of the meal. The rest of the formaldehyde is added and agitated for another twenty minutes when wood flour as filler, clay and stearic acid are added, the latter to insure ease in molding. The mixture is granulated and goes to various presses. As a familiar item — gear shift knobs — one press turns out 6,000 a day. Take an inventory in the car any day and you can count up many items of trim made in the same way. What each such part as a dashboard panel or a window strip means, in acres of tillage, may be gathered from a statement of Mr. McCarroll, head of chemical engineering in the Ford organization: "Let us suppose that just one additional part on each Ford car should employ this molding compound. Take, for example, a window reveal or trim strip; 144,000 bushels of beans per year or the product of 7,200 acres would be required. And this is but a single part, on one car, in the industry."

Apart from the field of plastics, soy bean protein also finds application far and wide in glue, paper sizing for calendar papers, in calcimine to aid wearing quality, and so on down a long list.

Yet its industrial applications are by no means all of the virtues of this remarkable legume. One of its most gratifying characteristics, as its consumption and use increase, is what it can and will do for the farmer. He has to undergo almost no educational process to grow even his first crop. It will grow anywhere where corn grows; the ground is prepared the same way, it can be planted with a corn planter, these now have interchangeable soy bean plates, or drilled in with a wheat drill. It can be cultivated in pretty much the same way as corn, both planting and cultivation depending on the harvest desired. The combine is used largely now for the harvest; this gives the farmer the beans, the hay and the pasturage, and improvement in the soil. The combine acts as a header and leaves a large part of stalk and leaves as stubble to be "hogged off" just as is done in the corn fields where the cattle are turned in to feed on stalk and the stray ears of corn the huskers left.

The plant has enemies—rabbits apparently consider soy beans to have been planted for their benefit alone; bugs, a long line of them, prey upon the plant, but, on the whole, it is a safer crop than the average. Encouragement of the growth of soy beans is more important than plowing under cotton and killing little pigs. It is a step toward soil conservation, without entailing the gentle rain of checks, and, being thus without a vote-getting phase, it may not receive all the official attention it deserves. The farmer can afford to ignore any lack of propaganda by mimeograph and get busy all on his own. We are still heavy importers, which alone should be sufficient argument for the farmer; whether he goes any further into the study of vegetable oils or not. The soy bean does not make good pork as does corn; hogs fed soy beans make the same kind of pork as peanut-fed hogs, too soft and oily. Only corn and clover can make premium pork—not intending to advertise Swift products.

In 1935, we had a crop of 40 million bushels of soy beans. There is the problem of uniformity of product yet to be solved. The Department of Agriculture lists more than 100 varieties of shapes, sizes and predilections. They ran in number of beans to the pound, from 1,250 Hahto, cooked when three-quarters grown like our "stringless" string bean, to 9,950 Barchet, grown as a forage crop. Each of all these varieties has been tested as to oil content, which runs from 12 to 20 per cent.

There were 43 mills in the United

(*Please turn to page* 737)

Some Industries in Which Soy Bean Products Are Used

Baking
Confectionery
Radio
Automobile
Paint and Varnish
Linoleum
Glue
Wall Covering
Leather
Soap
Furniture
Plastics
Paper
Explosives
Rubber
Milling

American Radiator Profits Moving Up with Building Revival

By Ward Gates

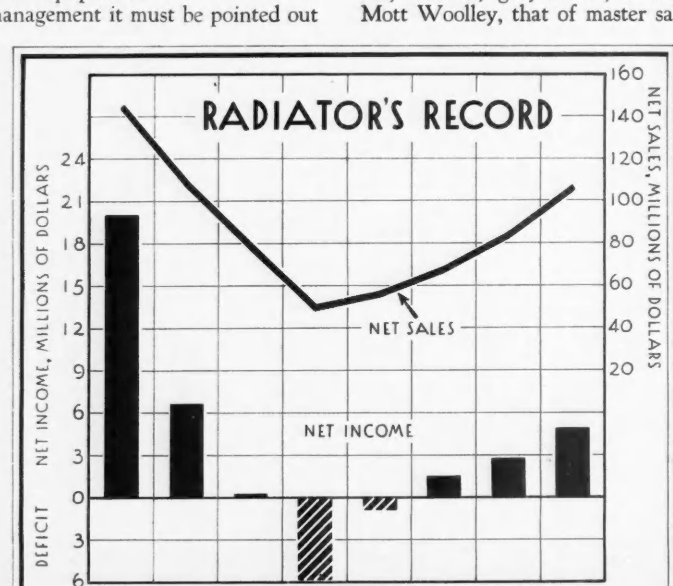
THE American Radiator & Standard Sanitary Corp. is a huge, solid, conservative and not particularly imaginative enterprise which sells a large volume of heating, plumbing and ventilating equipment when there is anything like normal building activity going on in the world.

In changing its methods and its products it moves cautiously, feeling its way, perhaps lagging a bit behind the times, leaving more risky pioneering to others. Only in recent years has it come forth actively with a full line of air-conditioning equipment, although it had had long experience and ample producing facilities in the related fields of ventilating and heating apparatus. It has seen General Electric, General Motors and various other corporations develop a large and profitable business in oil burners but has been slow in meeting this competition and does not yet meet it more than partially. And when its business dwindled away in depression American Radiator did not scurry off into new markets. It left to others the dynamic field of mechanical refrigerators and the profitable market in washing machines and other domestic equipment.

Yet in fairness to the management it must be pointed out that building, the basic field upon which it depends, is itself an ancient, conservative tradition-bound thing in which evolution is slow. To compare it with the automobile industry or the electrical equipment industry would be fatuous. Despite some technological advance developed under the pressure of depression, construction remains—and probably will remain for a long time to come—preponderantly a handicraft affair. Moreover, construction is not dominated by a few large aggregations of efficient capital, as are the motor and electrical equipment industries. Construction is a sprawling, diverse, far-flung aggregation of local developers, contractors, subcontractors, architects, mortgage lenders, dealers in materials, etc. There can be no such thing as a fast revolution of building technique among these heterogeneous "middle men" of construction and even evolution will be so slow that demand for old and new products will exist simultaneously for an indefinite time.

It is to the "middle men" of construction, rather than to the public directly, that American Radiator sells its products and most of all it is to the local master plumbers and local heating contractors. This is a market with strong craft union leanings and all which that implies in price, wage and jurisdictional rigidities.

In short, maintenance of American Radiator's dominant position in its field does not rest in the final analysis upon the technical superiority of its products—for any important superiority here is to be doubted—but upon the success with which its selling technique has been developed. Among all of the abilities of its dominant chief executive officer, the tall, massive, gray-haired, seventy-three-year-old Clarence Mott Woolley, that of master salesman stands out.



Mr. Woolley's customers, especially heating and plumbing contractors, are not particularly interested in experimenting with or promoting the sale of new types of heating or sanitary ware. They are not anxious for any development that would require them to discard old trades and learn new ones; or that would reduce the manual services required of them and, by so doing, curtail their profits. They prefer to do what they have always done before and in precisely the same way. They would vigorously oppose any direct contracting by the manufacturer that would

dispense with their services entirely.

The wise salesman sells these men what they want. At the other end, comparatively few people building or buying homes give much thought to the heating or plumbing equipment — provided it is "standard" stuff carrying a familiar trade name. If they buy from a developer, necessarily they take the equipment the developer has installed. If they build for themselves, they will be largely guided by the architect, if one is employed, or by the contractor; and the contractor will do business with the heating or plumbing subcontractor with whom he can make the best deal.

American Radiator plant at Bayonne, N. J.

All of which means that the tempo and philosophy of American Radiator must be geared to the tempo and philosophy of the heating and plumbing contractors of the country and of the world. If one discerns a certain stodginess about this corporation, at least similar stodginess will be found among its customers.

On the whole, therefore, it is by no means surprising that price-cutting economies in this field have been far smaller and slower than in automobiles and other mass production products; it is not surprising that American Radiator has been cautious and most deliberate in changing its products; it is not surprising that it gave some years to mulling over the question of installment selling before it decided to give it a tentative try in 1920; and it is not surprising that it remained for an automotive concern—Briggs Manufacturing—rather than Standard Sanitary, to introduce the drawn-steel method of making bathroom equipment with a weight less than half that of bathtubs, wash basins and toilets made from cast iron.

Strong Trade Position

Nor can this analyst see any particular threat to American Radiator in its conservatism. Since the ways of its customers are slow to change, it can afford to feel its way. If new technical developments vital to it come along, it will have ample time to adapt itself to them. No overnight revolution in heating and plumbing equipment will sweep the country. With virtually impregnable financial resources, with adequate engineering and research facilities, with a strong trade position throughout the world and with years of momentum behind it this corporation can be expected to give a good account of itself against any probable competition.

It should be emphasized that in the above discussion there has been no intention to imply that American Radiator has stood still, but merely that its evolution—conforming to the basic character of the field in which it operates—has been slower than that of leading corporations in newer and more dynamic industries, such as chemicals, automobiles, electrical equipment, etc. There has, of course, been much change in the nearly one-half century that some of the older units of the present parent company have been in business. Over this long period product prices have come down about 50 per cent, although they still appear intrinsically high — especially so with sanitary equipment — in comparison with various mass production products. Over this period the unit productivity of labor has increased approximately five-fold and wages seven-fold; and it need hardly be said that in the efficiency and appearnce of today's products comparison with those of even twenty years ago would be almost ludicrous. Indeed, on one point—that of modern industrial design, in which the company some time ago availed itself of expert outside help—American Radiator need make no apologies.

In introducing this analysis we observed that the company does a large volume of business—far larger than any competitor—"when there is anything like normal building activity going on in the world." The matter of *world* business is of vital interest to American Radiator stockholders, present or prospective. Even in the good years of our last building boom the company's foreign business accounted for up to 40 per cent of tonnage sold and up to 30 per cent of consolidated earnings. While no breakdown of the consolidated reports is officially made, these percentages necessarily were substantially increased during our years of deep depression for the reason that construction in Europe had no such severe collapse as occurred here and recovered faster—especially in England—than it did here.

It is in this foreign business and in miscellaneous business not directly related to new construction that we have explanation of the fact that American Radiator sales have thus far recovered at a faster pace than has building activity in this country. Thus, building contract awards in the United States for 1936 will hardly top 40 per cent of the 1929 figure, but American Radiator dollar sales judging by the report for the first half of the year, will probably approximate 73 per cent of the 1929 total.

Sales of $83,398,000 last year contrasted with $67,480,000 in 1934, $55,819,000 in 1933 and record low of $49,798,000 in 1932. Volume for the first half of this year was reported to have been approximately 28 per cent higher than for the first half of 1935. Should this rate of gain be maintained for the year, and we believe this likely, the 1936 figure would prove to be around $106,000,000, or almost back to the $108,094,000 total of 1930 and comparing with 1929 total of $144,583,000.

The Turn in Building

It is interesting to note that the gain of nearly $17,000,000 in volume between 1932 and 1934 has no explanation in the statistics of new construction in this country over that period, for both in terms of total floor space provided and number of families provided for both 1933 and 1934 saw less building in the United States than was carried out in 1932. Recovery in foreign demand and in domestic home renovation largely explain this discrepancy. Beginning with last year, however, there came a convincing turn in American

building. There are basic reasons, as will be detailed briefly below, why this should continue for at least three or four years, if not somewhat longer before the next peak in the construction cycle is reached.

This is the most hopeful element in American Radiator's picture at the present time, probably offering greater promise than such potential additional expansion of construction in Europe as may be counted on for the next several years. The English housing boom appears to be topping out and such stimulus to industrial construction as is provided by the frantic European armaments race is temporary on the one hand and on the other must be weighed against the potential danger to the safety of American-owned European properties in a setting of violent nationalism and probably of ultimate war.

The company owns, through affiliated units, seven plants in France, two in Germany, two in Italy, one in Spain, one in England, one in Belgium, one in Austria and one in Switzerland. The property investment thus represented is not separately stated. Quick assets and annual profits of the foreign affiliates are converted into dollars at rates of exchange prevailing at the close of each year, and exchange variance resulting form such conversion is carried to a reserve for foreign exchange valuation. Last year reserves of $800,000 were set up against profits earned in countries restricting transfer of funds. The total of such reserve at the end of the year was $2,948,925.

The Statistical Record

	Operating Profit	Margin on Sales	Cash	Working Capital
1935........	$11,621,000	13.9%	$18,727,000	$55,104,000
1934........	9,056,000	13.4	20,849,000	53,860,000
1933........	6,729,000	12.1	16,315,000	47,757,000
1932........	286,000	0.6	21,004,000	44,314,000
1931........	4,636,000	5.9	21,209,000	56,296,000
1930........	9,517,000	8.8	25,260,000	68,575,000
1929........	25,877,000	17.9	27,368,000	80,356,000

While it is obvious that American Radiator is so constituted that it can only make satisfactory profits on a large volume of sales, nevertheless substantial improvement in the operating margin testifies conclusively to increased economies and efficiencies that have resulted from the merger of American Radiator and Standard Sanitary Corp. effected early in 1929. Thus on net sales of $83,398,000 last year there was an operating profit of $11,621,000 or 13.9 per cent, whereas in 1930 sales of $108,094,000 produced an operating profit of only $9,517,000 or 8.8 per cent. What this means is that during the depression years the "pay point" of the company was substantially reduced, even though that fact is not revealed by the reported 1935 net income which was reduced drastically by heavy charges. Comparing 1935 statement with that of 1930, it will be seen that depreciation charged was nearly $2,000,000 greater last year than in 1930, that reserve for Federal taxes was some $787,000 larger and that deductions of $778,783 and $800,000 were made, respectively, for expense of idle plants and for reserve against profits in "restricted" countries. As a result, despite much improved operating profit margin, net income last year was only $2,798,860. This was less than half of net profit shown in 1930 and but approximately 14 per cent of the profit of $20,012,000 earned in 1929.

Operating Profit Higher

Increased taxes are here to stay, it will be necessary to set up foreign exchange reserves for an indefinite time and there is no reason to assume that conservative depreciation policy will be altered. Expense of idle plants, however, is already much reduced and should disappear. We see no reason to expect any serious additional rise in operating costs beyond what is incidental to recovery and more than offset by it. It has been shown that while American construction this year will be no more than 40 per cent of the 1929 total, American Radiator sales will be around 73 per cent of that year's figure. Hence, taking for granted substantial further recovery in domestic building, it requires no stretch of the imagination to anticipate that within a reasonable period the company's sales will be back to the 1929 level if not to a new high in the next building boom.

The basic reason for expecting a new all-time peak sooner or later is the simple fact that the need of and potential demand for new housing in this country is larger than in any other economic area. In terms of number of families for which new housing units were provided, the last building peak was reached in 1925. Every year since 1925 saw a smaller number of residenital units built, until the trend was reversed in 1935 in reflection of the thawing of frozen mortgage credit — largely with Federal help — rising rental and realty values, stabilized construction costs and recovery in public purchasing power.

The aggregate of new residential units built in 1932, 1933, 1934 and 1935 —all combined—was only some 20 per cent of the total built in 1925. Indeed, it was less than a third of the total of the single year 1922, before the boom began. Meanwhile since 1925, there has been an increase of more than 13,000,000 individuals in our population.

The potential demand being clear, what is the effective demand? There is no precise way of measuring it either in volume or time of fruition. Many observers have expected too much in the first year or two of the recovery. It is not on the cards that building will triple and quadruple in a year or two—but the trend is firmly up and gains this year of much over 50 per cent from a year ago are certainly not to be sneezed at. Further gains will be in line with the rate of gain in national purchasing power. Moreover it is important to bear in mind that the building picture has been radically changed by the revolutionary innovation of the long-term, amortized, single mortgage now proving extremely popular. This is one of the strongest of reasons for believing that home ownership in this country will in future have an even more powerful appeal than ever before.

Future Earnings

What would American Radiator earn on a 1929 volume of business? Again there is no precise method of analysis. Yet it is a reasonable assumption that the reduction in administrative and selling expenses brought about since 1929 will approximately balance charge-offs now heavier than in 1929 plus any probable rise in operating costs. If so, one must be especially impressed by the fact that the company's operating profit margin in 1935 on sales of only $83,398,000 was 57 per cent larger than it was in 1930 on sales of $108,094,000. On this basis it would not seem unreasonable to venture the forecast that eventually the company's operating profit and net income should materially exceed the totals of $25,877,000 and $20,012,000, respectively, shown in 1929.

Profits per share are something else again for there are 10,158,370 shares of the no par value common outstanding, preceded by $10,900,000 in funded debt and serial notes,

(*Please turn to page* 742)

Profits Rising in Retail Trade

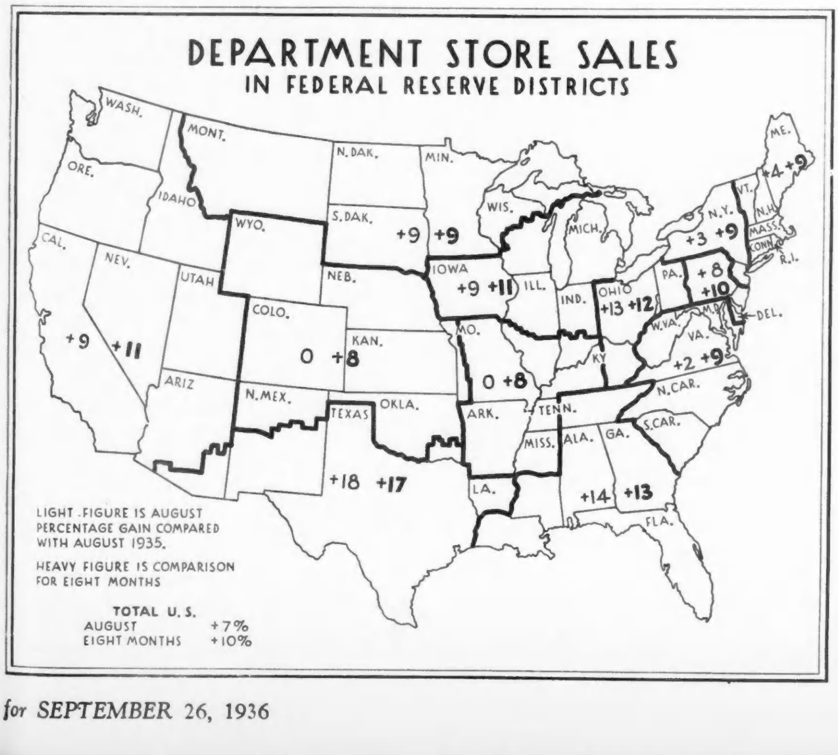
Next Three Months Hold Much Promise for Merchandising Stocks

By J. C. Clifford

Goods of all kinds are in demand and heavy demand at that. The consumer throughout the nation is restocking—buying not only his necessities but splurging a bit on luxuries as well. Small wonder, then, that retail trade showed such gains in recent months. Even the customary dullness which marks the summer in the best times was scarcely discernible this year and the quickening demand of autumn buying is already apparent. There is, of course, valid reasons for such a showing. Among them, perhaps the most important fundamentally is the change in the public's buying psychology. The "will to spend" has returned and people are no longer looking at a dollar half-a-dozen times before parting with it. This can be seen from the pronounced increase in demand for higher-priced and better quality articles and that the raising of prices is being resisted much less stubbornly than was once the case.

Naturally, a "will to spend" goes hand-in-hand with possession of the wherewithal and a number of factors have been operative to put more money into the hands of the public. The Government has long been doing it directly through relief expenditures and W P A boondoggling: it has been doing it both directly and indirectly through public works projects and through increased expenditures upon the armed forces. In addition, the business improvement itself has generated increased purchasing power. In some of the drought areas there has probably been some lessening of the capacity to purchase, but this has been offset to a large extent by Federal funds, while the effect of the drought in raising the price of foodstuffs undoubtedly has increased the purchasing power of farmers in areas unaffected. Finally, tending to eliminate the customary summer recession, there has been the distribution of the soldiers' bonus.

Because all of these factors promise to continue operative, the outlook for retail trade over the coming months is the best in years. There are no signs whatsoever of any cessation of governmental expenditures over the near future. Farmers, in the midst of their harvest time, will have even more money to spend than they had this summer and crop movements must inevitably generate much secondary purchasing power. As for the soldiers' bonus, it is very much to be doubted whether this influence has fully spent itself as yet. About a billion and a quarter in certificates have been cashed so far and no one can inject as much inflationary stimulus into the business stream without its setting up secondary, tertiary, and further influences, like a stone thrown into water. Despite the possibility of one's being unable to trace it, the indirect effects of the soldiers' bonus may well be with us months from now.



This is the favorable background against which all divisions of retail trade must be seen. Owing to particular circumstances, however, the various groups that make up the huge business of retail trade have shown markedly different performances in the recent past and from all indications one may expect the differences to continue into the future. Merchandising companies, for example, have

done, and should continue to do, much better than food companies: but even among merchandising companies the future of some appears to be considerably more rosy than the future of others.

The best showing has been made recently by the big mail order houses. Both Sears, Roebuck and Montgomery Ward have been enjoying record breaking sales. For the 32 weeks to September 10, the former's sales totalled more than $288,000,000, an increase of 25 per cent over the corresponding period a year ago. For the four weeks to September 10, sales volume was nearly 33 per cent better than last year. Reporting a profit equivalent to $2.60 a share for the first 24 weeks of 1936, Sears may well report earnings over $6 a share for the full year. If such should prove to be the case, the company would seem to be one of the more obvious candidates for a substantial extra dividend before the year end.

A similar showing has been made by Montgomery Ward, sales for the first seven months of 1936 being nearly 20 per cent ahead of the first seven months of 1935. Earnings are not available for 1936, although the company is confidently expected to report between three and four dollars a share for the present year.

The mail order companies are now about over their distressing experience resulting from over-expansion in the store field and, with soaring sales resulting in better profit margins, the outlook they enjoy is a bright one. Though doing a great urban business they will be among the most important beneficiaries of the general improvement in business conditions and purchasing power throughout rural areas. They are, moreover, going aggressively after the available business. Their fall and winter catalogues which went out a month or two ago were sent to some seventeen million households—ten million for Sears and seven million for Ward. The size of the catalogues was close to record breaking and they were very much more attractive, color, photographs and actual samples being used with considerably more liberality.

Doing a business not dissimilar from that of the mail order companies, department store chains likewise have been doing well. For example, eight month sales of J. C. Penney this year were more than 13 per cent better than last, while earnings for the six months to June 30 were equivalent to $2.71 a share, compared with $2.17 a share in the corresponding period of 1935. The company may well report earnings of $7 a share this year, or about $1 a share more than was shown in the last annual report.

A Sensational Recovery

Allied Stores, a holding company operating thirty-two department stores scattered throughout the country, has been coming back fast. Earnings for the twelve months to July 31, 1936, before Federal income and undistributed profits taxation was some $3,000,000, compared with $1,450,000 for the corresponding previous period. Interstate Department Stores, operating some forty units in Mid-Western, Southern and Eastern territory, moved from the "red" to the "black" in the fiscal year ended January 31, 1935, and has been steadily gaining ground since. Sales for the seven months, to August this year were almost 17 per cent ahead of last and the company's earnings for the full year 1936 are placed as high as $3 a share on the common stock.

Lerner Stores may be taken as an example of a truly sensational recovery on the part of a specialty chain. In 1932, when certain realty subsidiaries filed petitions in bankruptcy, the stock sold as low as $2 a share. In the following year the company reported earnings of well over twice this sum, while in 1935 they were almost doubled again with $8.08 a share of common stock. The stock was then split two-for-one and the company reported earnings equivalent to $4.61 a share on the new stock. With $2.67 a share earned in the first half, Lerner may well show as much as $7 a share for the fiscal year that ends next January 31. Another two-for-one split has been rumored.

Courtesy, R. H. Macy & Co.

People have money to spend and are spending it

There are some 160 Lerner stores; they are in populous centers and specialize in women's wearing apparel. They should benefit particularly from a Christmas season during which people undoubtedly will be free-spending.

Large department stores, whether single organizations or chains, have not experienced the same degree of recovery as other merchandisers. R. H. Macy & Co., Inc. of New York, for example, earned less in the fiscal year ended February 1, 1936, that was earned in the previous period. Kaufman Department Stores has been handicapped because its large store in the Pittsburgh district has been sensitive to the slow recovery in the steel industry. Earnings this year, however, are expected to be a dollar or so a share better than the $1.75 reported for 1935. Although the Chicago store is believed to have always been profitable, Marshall Field has been held back by unprofitable manufacturing and wholesale divisions. The company's profit for the first half of this year was negligible and dividends to the extent of nearly $30 a share have accumulated on the preferred stock.

Always Exceptions

On the other hand, there are always exceptions. Best & Co., for instance, operating a big store in New York and a number of suburban and resort outlets has made unsensational, albeit steady progress. Earnings for the six months to July 31 were equivalent to $1.67 a share on the outstanding common stock and for the full year they may come close to $4 a share. May Department Stores has six large stores in Akron, Baltimore, Cleveland, Denver, Los Angeles and St. Louis and earnings have risen from the equivalent of 77 cents a share in 1932 to $2.81 a share for the year ended January 31, last.

Nevertheless, by-and-large it seems that big retail city outlets do not enjoy quite the same bright prospects as other merchandising divisions. In the first place prospective customers have to contend with appalling traffic conditions. In the second place, big department stores have taken it upon themselves to perform all kinds of "service." Delivery, freely-accepted returns, the giving of credit and guarantees all contribute to a heavy overhead. In addition, it is probable that they are relatively harder hit by increased taxation on real estate, motor vehicles and the like than are their smaller contemporaries.

The Drug Chains

Although the gains have been on the whole moderate, the drug chains have not failed to participate in the retail trade recovery. Sales so far this year have averaged about 8 per cent better than last. This has been translated into larger earnings. Peoples Drug reported earnings for the first half of 1936 equivalent to $1.91 a share of common stock, compared with $1.27 a share last year. The company recently declared a special dividend of 50 cents in addition to the regular quarterly disbursement of 25 cents. Walgreen's sales for the eight months to August 31, last, were more than 7 per cent ahead of the corresponding previous period and the company is expected to report for the first nine months of its fiscal year to June 30 earnings about 20 cents a share better than the $1.60 shown for the first nine months of the previous year. United Drug, whose earnings for the first half of 1936 were almost double those of 1935 has just declared a dividend of 50 cents, its first distribution since the dissolution of Drug, Inc. in 1933.

Although nothing spectacular can reasonably be expected of the drug chains in the months to come, there is every reason to expect that they will continue to be beneficiaries of further business improvement and increased public purchasing power. The Robinson-Patman Anti-Price-Discrimination Act may well change some merchandising practices of the drug chains, but it is very much to be doubted whether any such changes will have an adverse effect upon earning power. Under this Act, discounts for quantity are limited to actual savings, while advertising allowances are to be given to all customers proportionately. However, until the Federal Trade Commission which has been given the task of enforcing the law gives us fuller interpretations and the courts confirm them, the effects of the Robinson-Patman Act are not to be gauged with any degree of accuracy.

Among the Principal Companies in Retail Trade

	Recent Price	Dividend
DEPARTMENT STORES		
Best & Co	61	$2.00*
Kaufman Dept. Stores	25	1.00*
Marshall Field	16	....
Macy, R. H	50	2.00
DEPARTMENT STORE CHAINS		
Associated Dry Goods	21	....
Federated Dept. Stores	37	1.40*
Interstate Dept. Stores	25	0.50†
May Dept. Stores	58	2.00*
Penney J. C	91	4.00
DRUG CHAINS		
Peoples Drug	44	1.00*
United Drug	16	0.50†
Walgreen	34	2.00
GROCERY CHAINS		
American Stores	27	2.00
First National Stores	48	2.50
Great A. & P. Tea	116	6.00*
Jewel Tea	87	4.00*
Kroger Grocery & Baking	21	1.60
Safeway Stores	30	2.00
MAIL ORDERS		
Montgomery Ward	49	0.20†
Sears, Roebuck	87	2.00*
Spiegel, May, Stern	85	3.00
VARIETY CHAINS		
Grant, W. T	43	1.40
Kresge, S. S	27	1.00*
Newberry, J. J	59	2.40
Woolworth, F. W	54	2.40
MISCELLANEOUS		
Lerner Stores	56	2.00
Melville Shoe	80	4.00

* Plus extras.
† Dividend recently declared.

The Variety Chains

During the ten years that preceded the advent of the recent depression tremendous growth in the number of outlets characterized the variety chains. A repetition of such growth does not appear possible and from this point one would expect the increase in the number of stores operated in this field to follow a great deal more closely the increase in population. With the number of new outlets that might be opened limited, Woolworth some time ago abandoned the principle on which it was built and commenced handling merchandise up to 20 cents in price. This was further modified early this year when the company raised its price limit to $1.

Woolworth's sales have improved recently, but it is not known how much of the improvement can be attributed to the change of price policy and how much to an improved demand on the part of the public. Probably both influences have played a part. For the eight months to the end of August, last, Woolworth's sales were 5.3 per cent greater than in the first eight months of 1935. Sales for August this year were up 7.5 per cent while sales for July were 13.3 per cent above July, 1935. S. S. Kresge made a similar showing, sales for the first eight months of 1936 being 5.9 per cent larger than in the corresponding previous period. Neither Woolworth nor Kresge report interim earnings but, inasmuch as the latter recently declared an extra dividend of 30 cents in addition to the regular quarterly payment of 25 cents, profits appear to be satisfactory. Again stressing the rather meager potentialities for future growth possessed by the variety chains, such chains nevertheless unquestionably will make substantial progress so long as the tide of general business remains so strongly favorable.

So far, no mention has been made of the grocery chains. This, the largest single division of retail trade, has made least progress from the standpoint of both sales and profits. Such a showing, of course, is understandable to some extent, for the sale of foodstuffs is markedly inelastic—it varies little between depression and prosperity. Hence, variations in chain store sales primarily reflect a change in price level or a change in the number of stores in operation. Profits depend primarily upon a satisfactory spread between wholesale prices on the one hand and retail prices on the other.

It is unfortunate in some respects that two of the largest chain grocery systems, Great Atlantic & Pacific Tea and First National Stores, have seen fit to discontinue the publication of monthly sales figures. The clue to gross profit

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Seeing Things in Glass

Growing Demand for Standard Products, Huge Possibilities in Newly Developed Ones, Point to Sustained Prosperity for Leading Manufacturers

By Ralph L. Woods

THERE are all sorts of things to be seen in glass. For example, if you look into a mirror you are likely to find an accumulation of depression grey hairs, the pleasing imprint of a good vacation, a cop on motorcycle pursuing you, a sweet young thing at the wheel of the car you just passed. But there are other and entirely different things to be seen in glass. That is, new and varied uses, definite possibilities for profit and expansion. However, a mirror won't reveal these things. Rather, you must look to the glass industry in general, and three or four companies in particular. And you don't need a microscope.

Although the manufacture of glass antedates recorded history, it is only within the past fifty years that the manufacturing process has undergone any marked change. Even so, the basic raw materials—silica sand, limestone and soda ash—have remained unchanged, abundant and cheap. At first glass was used solely as an ornament and in art. The ancient Romans made some attempt to use it in windows. About the time Columbus set forth on his voyage of discovery glass manufacturing was improved and its use widened. In 1608, artisans were brought from Europe to Jamestown, Va., to make glass. By 1683, Baron William Henry Steigel, of Manheim, Pa., boasted an income of $13,000 annually from his celebrated glass works. Today the glass industry can boast that its former peak production year of 1929 ($303,818,000) was surpassed in 1934 and again in 1935. There are substantial reasons for supposing that it won't be long before the glass industry will have made a new production record. Its future is in the capable hands of a small number of organizations which give every evidence of knowing just what to do.

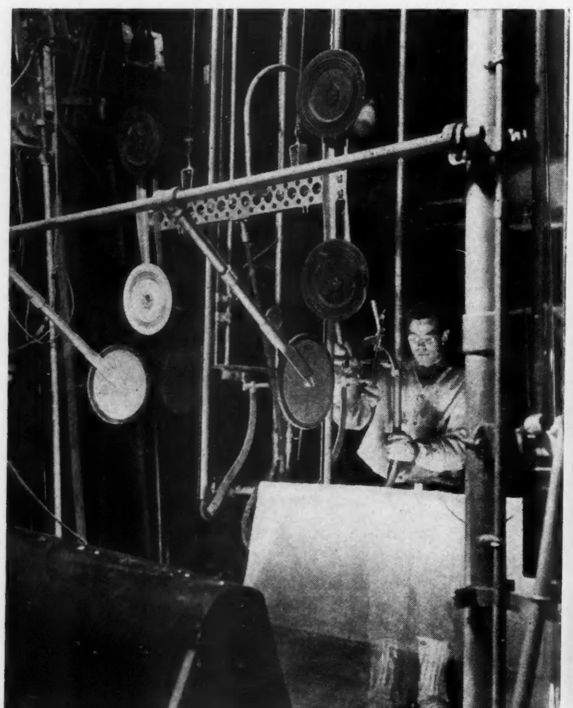
New Products Mean New Profits

Glass is in the happy position of having thrived and grown upon a demand that is relatively stable in bad times and responsive to upturns in population and living standards. In spite of the new uses to which it is being put, the glass industry is still chiefly occupied with meeting through mass production the same demands its economic forebears supplied by practicing their ancient handicrafts. Suppose we take a swift glance at the industry as it is today, before inquiring into its prospects and potentialities in the period immediately ahead. After all, if the industry is strong and vigorous now, then any new developments should mean *additional* profits rather than the replacement of other and less lucrative sources of profits. Perhaps that's obvious; but its worth remembering.

There are four major branches of the glass industry. In 1933, (the last year for which complete figures are available) these several divisions shared the total production as follows:—

1. Glass Containers	$99,362,000
2. Pressed and Blown Glassware..... (Table and ovenware, lenses, lamps, shades, bulbs, tubes and insulators).	45,398,000
3. Polished Plate Glass	26,702,000
4. Window Glass	10,457,000

Although there is no lack of competition within the glass



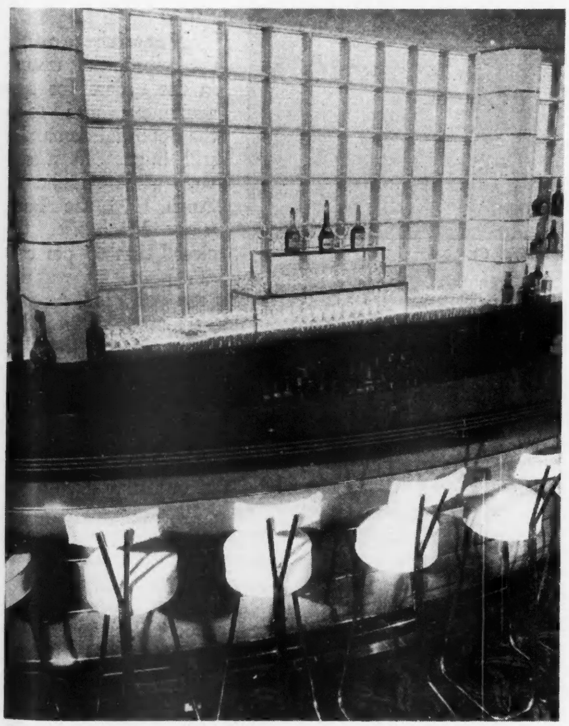
Courtesy, Pittsburgh Plate Glass Co.

Ingenious mechanical equipment is used to handle and cut sheets of glass

industry, nevertheless each of the three leading companies has a special hold on a certain type of product. Thus, Owens-Illinois Glass Co. specializes in the production of glass containers, supplying about 40 per cent of the bottles used in the United States. This was a fortunate choice in view of the fact that glass container production dropped only 20 per cent from 1929 to 1933, while building glass dropped 50 per cent and pressed and blown glassware dropped 47 per cent. Clearly, the container branch of the industry is more stable. The Glass Container Association reports that the production of glass bottles in 1935 was 7½ per cent greater than in 1934.

Glass containers are used principally for beverages, food and toilet and drug preparations. There is always a large and steady demand for the latter two. The glass container for beverages is at present in the midst of a battle with the tin can. It cannot be denied that the tin can has made substantial progress in its invasion of the beer field, although the glass people assert the initial wave of popularity has receded. Liquor and wine still favor glass. Incidentally, liquor and wine bottles are not refillable, whereas beer bottles usually are. Owens-Illinois is said to supply 40 per cent of the liquor bottles used and only 5 per cent of the beer bottles. Paper containers for milk have not yet made the progress against milk bottles originally expected of them.

Apparently Owens-Illinois is not particularly concerned about its glass container markets. Some months ago it filed with the S E C a statement outlining a twelve-million-dollar expansion program for the next two or three years, seven and one half million of which were allocated for the expansion and improvement of glass container plants. Nevertheless, it is plain that this company wants to be on the safe side. It now owns and operates three can manufacturing plants. Although not yet in the beer can business it is difficult to believe that Owens-Illinois would turn away any such business. Owens-Illinois rounds out its packaging activities by manufacturing labels, bottle caps, corks, corrugated fiber cases, cartons, and owns 50,000 shares of Container Corp. of America common. Under these formidable circumstances there does not seem any reason to fear that tin cans, cellophane, or paper will seriously injure Owens-Illinois.



Courtesy, Corning Glass Co.

Three types of glass products—containers and stemware against a wall of the new glass blocks

A significant aspect of the blown and pressed glass branch of the industry is that while the value of electric light bulbs and specialties production declined from $32,619,000 in 1929 to $11,478,000 in 1933, that of tableware, ovenware, tumblers, goblets and bar goods only dropped from $32,045,000 to $25,406,000. Owens-Illinois again demonstrated its enterprise by recently acquiring the Libbey Glass Co., the largest domestic manufacturer of tumblers, and of tableware and glassware for hotels, restaurants and soda fountains. Hazel-Atlas Glass Co., with eleven factories, is another large manufacturer of this type glassware. Indicative of this latter company's position is the fact that in its best pre-depression year it produced 451 million pounds of glass products, whereas in 1935 it produced 574 million pounds of glass products. Corning Glass Co., with its "Pyrex," and "Steuben" concentrates on glasses of special chemical composition with unusual properties.

New Building Widens Demand

In turning to an examination of the window glass market one is better advised to employ foresight rather than hindsight. Obviously, window glass manufacturers must depend upon new construction and home modernization and renovation. Until recently there has been little of this. Even in 1929 this branch of the glass industry suffered a production decline as the depression set in without our realizing it. If events bear out the market studies recently made we are due for a decade of rising construction, with the peak about 1946. Libbey-Owens-Ford Glass Co. and Pittsburgh Plate Glass Co., as the major manufacturers, stand to profit most from the resultant demand for window glass. Incidentally, modern construction creates a greater demand for window glass than heretofore. Pittsburgh Plate Glass can profit doubly from an upturn in construction and home modernization since it operates, in addition to nine glass plants, five paint works, four varnish and lacquer works, two linseed oil plants, and one cement plant.

Since the automobile industry absorbs about 70 per cent of the plate glass production there can be little doubt as to how that part of the industry stands at the moment. The balance of the plate glass production goes for furniture, building and mirrors. Modern architects have obtained striking effects with mirrors, thereby increasing their use.

Safety glass, made with plate glass, has received much impetus through the action of state legislatures in requiring its use by automobiles. States representing 70 per cent of the total car registration now have such laws. Furthermore, many of the new streamlined railroad coaches have safety-glass windows. Libbey-Owens-Ford are especially active in this field, having in 1932 purchased the patents and patent applications of the Triplex Safety Glass Co. of North America. Libbey-Owens-Ford has a cross-license agreement with the Pittsburgh Plate Glass Co., which company is equally active in the safety glass field through its "Duplate." This latter company recently announced that it had, after six years of research in association with the Mellon Institute, perfected a new safety glass with high tensile strength, five to ten times more resistant than other safety glasses, and easier to manufacture. So long as automobiles are manufactured and sold the safety glass market

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Factory Expansion Points to Profits in Machinery Stocks

By Edwin A. Barnes

Bourke-White Photo, Courtesy Briggs Mfg. Co.

THE trend of orders for new machinery and machine tools is unquestionably one of the most positive measures of business confidence and the willingness of corporate managers to plan for the future. Machine tool orders reached their nadir in April, 1933, when, according to the index compiled by the National Machine Tool Builders Association, they were only 8.3 per cent of the 1926 normal. Since that time orders have risen steadily, with only comparatively brief interruptions and by the end of July this year stood at 132.6 per cent of normal, or about on a par with the volume in the closing months of 1929.

In addition to its barometric feature, the machinery and machine tool industry is of major importance in its own right. No other industry can claim a greater contribution to the success of mass production, in turn bringing within the reach of the purchasing power of the average person such products as automobiles, electrical appliances, etc. The industry deals directly with the manufacturer and for this reason it is extremely sensitive to changing business sentiment. When uncertainty looms on the business horizon, industrialists become reluctant to tie up valuable working capital in new machinery, however more efficient it may be than their present equipment. The feeling is that existing facilities must suffice, so long as any doubts prevail as to the ability of new machinery to earn its keep. The events of the past several years, however, have apparently dispelled many of these doubts and manufacturers are again taking steps to eliminate obsolete and worn equipment.

Notwithstanding the substantial upturn in the orders for new machinery and tools, the potential demand is still huge. In a survey made public in April, 1935, the *American Machinist* disclosed that 65 per cent of the metal working machinery in the United States was ten years old, as compared with 48 per cent in 1930 and 44 per cent in 1925. To even maintain this low ratio of new equipment to old, it was estimated that aggregrate purchases of more than $800,000,000 would be required before 1940. The probabilities are that normal replacement demand will be appreciably increased with the further extension of general business recovery by the purchase of the more accurate and efficient machinery developed by the industry during the past five years or six years. The pressure of demand for shorter working hours and increased wages is literally compelling manufacturers to seek every means of cutting production costs. A survey made by the Machinery and Allied Products Institute and covering about 90 per cent of the total volume of machinery production estimated the potential demand in 1935 at $19,000,000,000, for all classes of machinery.

Other factors favorable to the machinery and machine tool industry at this time include increasing orders for export, these accounting for nearly 33 per cent of the total orders received during July, 1936; prices have shown a firm to higher trend; and additional price increases are likely to be

forthcoming as existing raw material inventories become exhausted.

In evaluating the earnings prospects for representative manufacturers of machinery and machine tools it is important to remember that some time must elapse, from six to eight months, before orders booked are actually reflected in income accounts. This condition accounts for the fact that reported earnings of these companies appear to be lagging behind the experience of general industry, as a whole.

The appended list of machinery and machine tool companies includes companies manufacturing a broad diversity of products, and which are well established in their particular division of the industry. Accordingly, prospects and developments which may be construed as likely to have a favorable effect upon the demand for new machinery and equipment should ultimately find tangible reflection in the sales and earnings of these companies.

Some Leading Companies

Without prejudice to the other companies comprising the list, a number have been selected for discussion here.

Unlike most of the companies identified with the machinery industry, American Machine & Foundry Co. is featured by an unusually stable earnings record. The company's record of profitable operations remained unbroken throughout the depression. Earnings, to be sure, were lower but losses were avoided. Through ownership of importants patents, the company has a virtual monopoly in the manufacture of automatic machines used in making cigars and cigarettes. Some of this equipment is leased while machines are sold outright and in all, American Machine & Foundry supplies practically all of the machine equipment utilized by the tobacco industry. The scope of activities has been widened to include bread-making machinery, as well as other machines used in printing and the paper industry. Capital structure is simple being comprised solely of 1,000,000 shares of stock. Earnings in 1935 amounted to $1.12 a share, against $1.11 in 1934 and in the first half of the current year profits were equal to 52 cents a share, comparing with 51 cents in the same months a year ago. Regular dividends paid at the rate of 20 cents quarterly have been augmented by extra payments and the company's finances would permit the continuance of a liberal dividend policy. Although comparatively devoid of speculative attraction, the shares invite consideration for income purposes.

Evidence of the sharp upturn in machine tool buying is to be found in the showing made by Bullard Co. in the first half of this year. Net profit totaled $340,638, or more than ten times the figure of about $32,000 in the same period of 1935. Bullard Co. manufactures high-speed automatic machines and turret lathes, drawing its principal customers from the automobile, electrical equipment, railway equipment and aircraft industries. The company engages in active research and this division has been responsible for the introduction of numerous refinements, increased accuracy and lower costs. The 276,000 shares of capital stock comprise the entire capitalization. With earnings equal to $1.23 a share in the first six months this year, and with the automobile industry likely to contribute sufficient business to permit an equally good showing in the last half, the company may well enlarge its recent rate of dividend. Two payments of 25 cents have been made this year. Finances are comfortable. At recent levels the shares appear reasonably valued and offer an interesting speculative opportunity.

Ex-Cell-O Aircraft & Tool Corp. has recently spent large sums in development projects and in perfecting new products, with the result that earnings have not reflected fully the important gains in new orders and shipments. The company is one of that unfortunate group which was formed by consolidations just prior to the depression and has since had but scant opportunity to demonstrate its earning power. For this reason the past record of the company is not a fair criterion, but holding a well rounded position in its field, the probabilities are that more normal business conditions will be accompanied by good earning power. Ex-Cell-O Aircraft engages primarily in the manufacture of small precision tools—diamond drills, cutting, grinding and other devices—and in recent years the company has substantially enlarged its list of products to include precision aircraft parts, and Diesel engine fuel pumps. Standardized car and locomotive pins and bushings are sold by the company to practically every railroad in the country, and the automobile industry is also an important customer. In 1935, a machine for making paper milk containers was perfected. Despite large development costs in 1935, earnings recorded a substantial gain and net applicable to the 378,728 shares of stock was equal to 87 cents each, as against 37 cents in 1934. In the first quarter of the current year, operations were handicapped by flood conditions, which coupled with further outlays for development work cut earnings to the equivalent of 35 cents a share, comparing with 55 cents a share in the same months of 1935. At the end of June, however, unfilled orders were at a new high record for that date and in the first six months new business was 22 per cent ahead of shipments. It is safe to assume, therefore, that results in the final half of the year will be materially better. Dividends were resumed in August by the payment of 15 cents and additional payments appear likely. Currently quoted around 18, the shares possess interesting speculative possibilities.

Heavy Machinery Units

Originally, the Link-Belt Co. engaged exclusively in the manufacture of chain link belts, and while this phase of the company's business still accounts for about 10 per cent of the total volume, the scope of operations has been greatly expanded. The company now manufactures all types of material-handling machinery, locomotive cranes, continuous conveyors, gasoline crawler cranes and a general variety of equipment used in practically all sorts of manufacturing operations. Recently, Link-Belt has introduced an automatic heating stoker for home use, a type of equipment

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Representative Group of Machinery and Machine Tool Makers

Company	Earnings per Share 1st 6 mos. 1935	Earnings per Share 1st 6 mos. 1936	Recent Price	Price Range 1936 High	Price Range 1936 Low	Dividend
Amer. Machinery & Fdry	0.51	0.52	24	29⅞	21	0.80
Bliss (E. W.) Co	NF	NF	19	27	13⅝	None
Bullard Co	0.11	1.23	30	31⅜	20¾	0.50†
Ex-Cell-O Aircraft & Tool	0.55	0.35	18	23⅝	14¼	0.15†
Food Machinery	NF	NF	38	47½	32	1.00
Link-Belt	0.62	0.96	47	50⅞	36	1.20
Mesta Machine	NF	NF	61	64¼	40⅝	3.25†
National Acme	0.17	0.61	17	18¼	12½	0.25†
Niles-Bement-Pond	NF	1.75(e)	41	44⅞	28½	0.50†
Starret (L. S.) Co	1.22(a)	2.76(a)	35	35½	24¾	1.40*
United Shoe Machinery	3.65(b)	4.28(b)	88	90	83	2.50*

NF—Not available. † Paid this year; no regular rate. * Plus extras. (e) Estimated. (a) Fiscal year ended June 30. (b) Fiscal year ended Feb. 23-29.

Significant Foreign Events

By George W. Berkalew

Foreign Representative of The Magazine of Wall Street

Franco-Polish Rapprochement

Sceptical of the security promises by the Soviet Pact, France attempts to purchase peace at the price of a very substantial amount of military credits extended to Poland. The full dress parade for General Rydz-Smigly again illustrated the fickleness of national friendships. Since 1934, Poland has snubbed France on more than one occasion, balking under the harness of a dictated French foreign policy. But France was little prepared to see in Poland a mature and independent power of importance; regretted the gradual loss of an ally linked to her by the tenuous ties of mutual assistance pacts.

Hence Polish former infatuation for France has been superseded by a rather distant and perhaps superficial admiration. The question now is—has General Rydz-Smigly's diplomatic mission altered the Polish attitude? Poland has received financial assistance, but has France purchased a genuine ally? Rather is not this renewal of visits and conversations between military authorities to be interpreted as a desire on the part of Poland to allay existing animosity; to profess as friendly intentions as possible in view of recent political complications and with an "arrière pensée," to warn France of the opposition which may develop in other European quarters if her present political traffic with the Soviets is not arrested.

It seems also to be the intention of Poland to feel out the French point of view concerning the approaching discussions on the Danubian problems. Poland's attitude towards the Danube States has not been officially defined, yet there can be no great doubt as to its actual bias. The position of Poland is as ambiguous today as at the time of her arbitrary conception as an independent modern state after 1918. Poland must choose between one of two alternatives. She can unreservedly join the great Central and East European bloc, which is now forming, under German tutelage, or remain prudently non-committal, as Italy did during the initial stages of the Great War until the strength of opposing alignments had been definitely determined. If Poland throws in her lot with the Fascist Powers, her territory would be the first to be invaded in any clash with the Soviets presumably supported by the French and the Spanish Popular Front. Poland is waiting therefore, to find out which way the French political wind is blowing. General Rydz-Smigly's visit signifies this much and no more in Franco-Polish rapprochement, excluding of course the sum which France is advancing and which, by the way, is wrested from a country whose budgetary situation can ill afford this additional financial strain.

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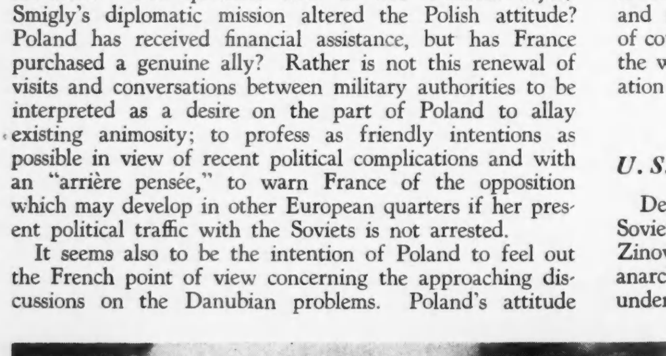
U. S. S. R. Communists Offered a Constitution

Despite official reassurances of the solidarity of the Soviet State, Stalin expediently "liquidated" Kamenev, Zinoviev, and a dozen or so of his other brothers in anarchy. Bolshevism since the triumph of the revolution under Lenin leadership has harbored an ardent opposition. Since 1917 Stalin's slogan has been persistently applied—"Annihilate opponents of the regime." On the death of Lenin, Trotsky and Stalin disputed his succession. Stalin deported Trotsky, but the struggle for supremacy still continues.

One must entertain no illusion on the evolution of the Communist regime. The dictatorship has repudiated its party promises, denounced, when practical, its avowed principle of racial equality and immunity from religious persecution. Now casting aside all pretense to abide by the ideology prescribed by Marx, Stalin has achieved, through opportune alliances with capitalist countries, and by intervention in their domestic political affairs, the re-integration of modern Russia in the concert of nations. Moscow, through its scattered agents attempts in all spheres to polarize for its political ends the diverse elements of the left. So far at least, the foreign organization of the Kremlin has not obtained durable results. British Trade Unions disowned kinship with the Soviets. The preliminary success of the Communists in Italy gave Fascism its opening wedge. The revolutions in Munich and Budapest revealed Communism in its most sanguine aspect, and in Germany Hitlerism is fundamentally a reaction against Moscow.



Wide World Photo

The Kremlin at Moscow from which has come a constitution for the Russian people

Still the orientation of Communism in new channels has produced these tangible achievements: diplomatic bargaining power, a formidable military machine, acute political dissension in both Spain and France.

This has been accomplished by a consistent application of the motto of Lenin and his successors that "the end justifies the means." With the end in view of insuring the support of the peasants, the Soviet Government accepted the division and practical ownership of agricultural property; in the face of a marketing crisis without precedent it re-established private trade practices, instituted piece work methods as incentives for higher production. Finally as a crowning gift Stalin has bestowed upon his country a constitution.

This constitution can be annulled as arbitrarily as it was granted. By no interpretation is it intended to promote the general welfare. It is intended solely to pacify current domestic discontent and if possible hoodwink occidental liberalism.

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Wide World Photo

Street market in Warsaw, the capital of Poland

Roumania—Approaches Receivership

Almost every so-called agreement between two Balkan countries is frustrated at the last moment by some unforeseen point of dissension.

Last month, such a moment of dissension was passed over safely when Greece finally obtained shipments of oil from Roumania in exchange for payment through the customary clearing channels. At first, Bucharest financiers stubbornly tried to hold out for cash, knowing full well that Greece sorely needed oil for shipping and industrial development and especially for expanding military projects sponsored by the new Government. But for this single case where Roumania backed down on a good exchange gambit, there are countless other instances of sharp trading practice.

For some years past, American and British firms have been selling their merchandise in Roumania, taking as payment an equivalent value of domestic products. For example, one well-known firm recently was induced to accept Roumanian goods worth a hundred million lei, deposit 30 per cent of the value in currency with the Roumanian National Bank, and then ship to Bucharest raw cotton and cotton yarn to cover the remaining 70 per cent. From the exporter's point of view this type of international trade implies advancing approximately 45 per cent of the value of the order and then sell or dispose of goods amounting to 145 per cent of the original transaction.

Dr. Schacht has already made Western Europe familiar with this modernized practice of medieval barter. His recent trip to the Balkans has merely extended its scope of application. In fact the substantial increase during the last eighteen months in the commercial exchange of both Greece and Roumania with Germany has been largely due to adept trade manipulations of this character.

About a month ago, in combatting the threatened Greek general strike, German-trained General Metaxas proved that he had learned other things in Germany than the Schacht barter system. Similarly, the new Roumania Premier in retiring Titulesco demonstrated the same borrowed technique. In the Greek dictatorship, the shift of power from a democratic Parliament to military dictatorship did not necessitate a drastic change in foreign policy which has been for many months openly pro-British, but at the same time not anti-German. The Roumanian coup, on the other hand, altered the whole complexion of an elaborate pro-Soviet program which has been thrown overboard with its author. Roumania has followed France everywhere else, but not to Moscow.

The turn-about in political allegiance which Titulesco's fall may symbolize is motivated by Roumania's hereditary distrust of the great Power beyond the Dniester and by her growing volume of exchange business with Germany. Likewise Roumania is practically in the hands of the receiver with untransferred commercial debts to France of 800 million lei; to Great Britain 730 million; to Belgium 290 million plus an unpaid financial debt to these three countries totalling more than 1,350 million.

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Italy—Victory Without Credit

The turn-about in political allegiance which Titulesco's fruits of this victory are conspicuously absent. It will take the country an indeterminate length of time to find a state of equilibrium adapted to the new economic conditions created by this colonial acquisition. A certain consequence of the Abyssinian war will be an aggravation of the control already exercised by government authorities over industry, commerce and finance.

During the period of hostilities, it was relatively easy to impose certain material sacrifices on the part of the population. At the end of operations in Abyssinia a normal reaction has set in entailing demands for improved working conditions, a check on the upward trend of prices and an increase in real wages. It will be difficult for Mussolini to accede to these demands since military expenditures and current and future liabilities have drained the treasury. Since Italian exports have dropped by half, and failed to pay for even essential import requirements, the government has, surprisingly, seen fit to advertise this embarrassment by placing in foreign markets an issue of short-term bonds in currencies of other countries. It is surmised that the new issue is intended to relieve exchange difficulties. Since the interest rate of 5 per cent is substantially below the rate at which Italy could raise loans abroad and since there is no guarantee that either interest or principal will be paid, except the rather dubious promise of an already defaulting government, the new bonds have

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Movie Stocks Offer Variety of Opportunity

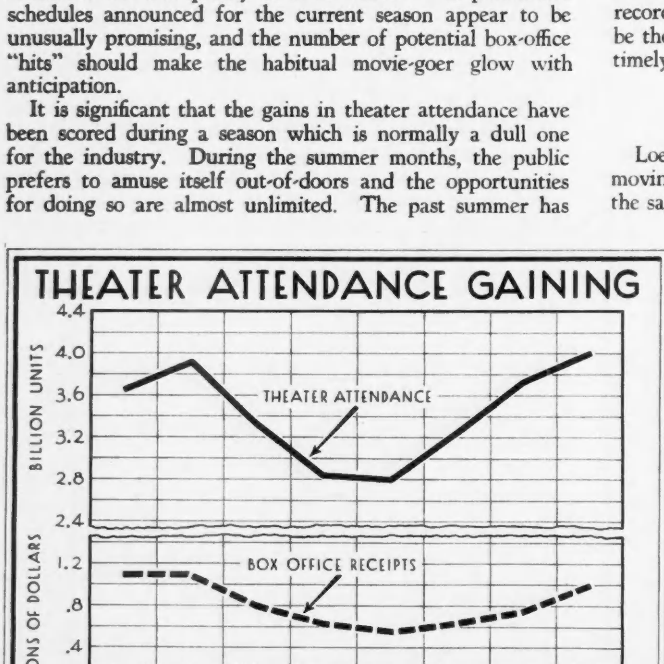
Rising Attendance Indicates Earnings Gain

By MUNROE E. MARSHALL, JR.

A DETAILED discussion of the moving picture industry which appeared in August 15 issue of THE MAGAZINE OF WALL STREET fully supported the conclusion that the outlook for the industry at this time is distinctly promising. One of the most convincing factors contributing to this encouraging prospect is the substantial gain in the attendance at motion picture theaters, increases of from 15 to 30 per cent throughout the country having been recently reported. During the recent showing of "Swing Time" at the Radio City Music Hall in New York City, some 11,000 paid admissions were recorded in a single day *before 1 P.M.* Unquestionably less unemployment and increased purchasing power have been the most effective agents in stimulating movie attendance, but the leading producers as well may justly claim a measure of credit by adding materially to the attractiveness and quality of their wares. The production schedules announced for the current season appear to be unusually promising, and the number of potential box-office "hits" should make the habitual movie-goer glow with anticipation.

It is significant that the gains in theater attendance have been scored during a season which is normally a dull one for the industry. During the summer months, the public prefers to amuse itself out-of-doors and the opportunities for doing so are almost unlimited. The past summer has been no exception but it would seem that the attractiveness of the movie fare plus extensive air conditioning has proven irresistible to many. Better pictures generally, although not always, mean higher production costs. It is unlikely, therefore, that in the present circumstances increased attendance will be reflected fully in net. There is, however, a growing movement to increase rental charges, as well as raise box-office prices. Ultimately, also, such devices as "bank nite" and dual billing may be dropped, although the fact that both of these have undoubtedly been successful in stimulating attendance in the past suggests that perhaps theater operators may be reluctant to abandon them.

The substantial gains in theater attendance have already found tangible reflection in the earnings of leading producers and, with the advent of cooler weather, there is slight doubt that several motion picture companies, at least, will record an appreciable upturn in profits. If such proves to be the case, selected stocks in the movie group may prove a timely and profitable acquisition.



Loew's in Strong Position

Loew's, Inc., is easily the outstanding organization of the moving picture industry. The company is distinguished by the sagacity of its management and its conservative financial policies. Skillful showmanship and freedom from the burden of carrying extensive and costly theater properties through the depression enabled the company to turn in an unusual record of earnings. Profits averaged $4.50 a share annually on the common stock from 1931 to 1935, inclusive.

The company is a completely rounded organization, being identified with all of the major phases of the amusement business. Film productions are known as Metro-Goldwyn-Mayer pictures and subsidiaries maintain film exchanges for the rental and distribution of film releases. These exchanges are located in 32 cities in the United States and 129 cities abroad. At the beginning of the current year, Loew's, through subsidiaries, owned, leased or operated, or had under construction, 157 motion picture theaters. Of these 73 were located in the metropolitan area of New York City. In addition to these motion picture activities, the company operates a radio broadcasting station in New York City, publishes sheet music and operates a vaudeville booking office.

The company's fiscal year ended August 31,

Leading Companies of the Motion Picture Industry

Company	Earnings per Share 1935	Earnings per Share 1936	Recent Price	Price Range 1936 High	Price Range 1936 Low	Dividend
Loew's, Inc	4.49(a)	(e)6.00(a)	60	62⅞	43	2.00*
Twentieth Century-Fox Film	0.55(b)	1.43(b)	30	32⅜	22½	None
Warner Brothers	0.02(c)	0.60(c)	13	14⅝	9¼	None
Columbia Pictures	5.81(d)	4.96(d)	39	45½	31	1.00*
Paramount	0.83	Nil	10	12	7⅛	None
Radio-Keith-Orpheum	See Text		7	9¼	5	None

(a)—Fiscal year ended Aug. 31. (b)—6 mos. to June 30. (c)—39 weeks to May 30. (d)—Fiscal year ended June 30. (e)—Estimated. NF—Not available. *—Plus extras.

and the report has not been published, but the probabilities are that earnings were equal to better than $6 a share on the 1,490,095 shares of common stock. The last quarter was the best since 1930 and the showing for the full fiscal year will be the best since the peak years of the motion picture industry, prior to the depression. Loew's has adhered steadfastly to the policy of producing annually a comparatively large number of feature films ranging in cost from $1,000,000 to $2,000,000, reasoning that more people will pay to see a good picture and in the long run the more costly films return a larger profit. In the face of the company's record, the soundness of this policy cannot be questioned. For the coming fiscal year, the company has spent some $32,000,000 for feature films, the largest in its history, and film rentals have been raised substantially, and in some instances doubled.

Although a late balance sheet is not available, financial position of Loew's is traditionally strong. Some measure of the company's high credit standing is indicated by its ability to market $15,000,000 3½% debentures at 99 earlier in the year. With the proceeds, the company retired $7,717,500 6% debentures, the balance being used to retire mortgages and subsidiary debt. In addition to the 3½% debentures due in 1946, there are 136,722 shares of 6½% preferred stock ahead of the common. During the past fiscal year, shareholders received $2 a share in regular dividends, plus a 50-cent extra. Another extra of 50 cents was recently announced and the prospects are that in subsequent quarters further extras will be declared. A liberal dividend policy would have the support of substantial earnings and adequate liquid resources.

The recent death of Irving Thalberg, one of the outstanding motion picture producers and directors, and a leading figure in Loew's, was an unfortunate occurrence. The company, however, is still well supplied with executive talent and its prestige and operations are not likely to be seriously affected.

Selling around 60, the shares of Loew's, Inc., are reasonably valued on an earnings basis and affording a yield of about 4 per cent, including extra dividends, they combine a measure of investment appeal plus the promise of gradual enhancement in value.

Twentieth Century Earnings Improve

For the season just closed, Twentieth Century-Fox Film Corp. studios contributed 15 per cent of the total moving picture productions. The company's percentage was somewhat larger than Loew's and slightly less than either Warner Brothers or Paramount. Since the reorganization of the former Fox Film Corp. in 1933 and the subsequent merger with Twentieth Century Pictures, Inc., in 1935, the present organization has speedily established itself as one of the foremost units in the industry. In addition to feature releases, the company issues one of the most popular newsreels, Movie-Tone News, and conducts a distributing organization worldwide in scope. The company owns a 49 per cent interest in Gaumont-British Pictures Corp., the dominant factor in the production and exhibition of motion pictures in England. In July it was announced that 50 per cent of the company's interest in Gaumont-British would be sold to Loew's, Inc., to be followed by sale of 49 per cent of the Gaumont-British stock to the English public, the whole deal to be finally rounded out with Loew's, Twentieth Century-Fox and the Ostrer interests abroad having working control. No further announcements have since been made, it being understood that the details relating to the transaction are being ironed out. With the threat that Great Britain may cut the quota on American films in order to subsidize British producers, interest in the leading British unit may prove an important asset to both Loew's and Twentieth Century-Fox. Twentieth Century-Fox also owns a 42 per cent interest in National Theaters Corp., a profitable theater chain, and may ultimately acquire the balance of the shares, now owned by the Chase National Bank.

With the former Fox Film Corp. relieved of onerous capital burdens and with its facilities greatly augmented by the merger with Twentieth Century, the present organization has ample opportunity to demonstrate important earning power in the months ahead. Total funded debt at the end of 1935 was but little more than $2,000,000 and there are 1,357,833 shares of $1.50 convertible preferred stock and 1,228,039 shares of common. Regular dividends are being paid on the preferred shares and, from all indications, payments should shortly be initiated on the common.

Earnings have improved steadily since the reorganization of the former Fox Film and earnings on the common this year may reach $2.50 a share. Net for the 26 weeks to June 27, last, was equal, after preferred dividends, to $1.43 a share for the common. This compares with 55 cents a share earned on the 2,436,409 combined A and B shares in the corresponding period a year ago. Stated otherwise, current profits are about double those of a year ago. The company enjoys a comfortable financial position and on the basis of late earnings a dividend of at least $1 annually would be warranted. Production plans include another film featuring the Dionne quintuplets, the first one having been very profitable. The company is also planning another filming of "Seventh Heaven," and in the meanwhile it has a valuable asset in the person of Shirley Temple. On the whole, therefore, Twentieth Century-Fox common, quoted around 31, would appear to possess interesting possibilities both for profit and ultimate income.

Warner Brothers Coming Back

Warner Brothers Pictures has participated in the improvement in the motion picture industry to a point which should enable the company to correct its somewhat impaired financial condition and prepare for the refunding of $31,924,000 of 6% debentures due in 1939. Moreover, the company will have to make provision for the back dividends which have accumulated on the $3.85 preferred shares, totaling more than $17 a share, before common stockholders can expect any return. On the other hand, the capital structure

(Please turn to page 744)

For Profit and Income

Cotton Textiles

Newspapers of recent weeks have told the story of the liquidation of the Amoskeag Manufacturing Co. which, starting in 1810, grew to be the largest cotton mill in the world. This sad news rather obscured the fact that several other cotton textile companies have been doing really very well. The Pepperell Manufacturing Co., for example, reporting for the fiscal year ended June 30, showed a net profit of $1,121,360, after taxes, depreciation, inventory mark-down, interest, and other charges. This was equivalent to $11.53 a share on each of the 97,228 shares outstanding in the hands of the public and compared with a net loss of nearly half-a-million dollars in the preceding year. In August, the stock, which is currently selling on the New York Curb Exchange for about $91 a share, was placed on a regular annual dividend basis of $6 a share. Although no report of earnings is available later than that for the year ended December 31, last, when $3.31 a share of common was shown, Cannon Mills a few weeks ago ordered "a dividend" of $1. This was double the 50 cents quarterly that was previously being paid. The stock at $50 a share is close to the year's high of $52.

* * *

Negotiations having to do with Cuba's default on $80,000,000 of public works bonds are understood to be getting down to cases. No details of any agreement are available as yet but it is to be hoped that the unfortunate holders of these bonds will shortly receive some return on their investment.

* * *

The Railroad Come-back

The manner in which the railroads are recovering is really remarkable. It seems only a few months ago that losses were the rule rather than the exception. For the first eight months of this year the country's first class roads may well report net income in the neighborhood of $10,000,000. This would compare with a net loss of about eight times this sum for the corresponding previous period. As for common stock earnings, "leverage" present in all railroad shares is operating to make a very respectable showing. The Pennsylvania, for example, reported net income for the first seven months of 1936 equivalent to $1.20 a share of common, compared with only 86 cents in the corresponding previous period; the Reading showed $1.27 a share against 73 cents; Kansas City Southern reported $1.58 on the preferred compared with a large loss last year. Chesapeake & Ohio earned the equivalent of $3.25 a share in the first eight months, compared with $2.30 in the first eight months of 1935. If carloadings this fall come up to expectations, there ought to be further profits in railroad securities despite their great advance.

* * *

Foreign advices to the effect that the devaluation of the franc is imminent are again pouring into this country. For how many years now is it that we have been getting these periodically? Although ultimate devaluation of the franc is a certainty, we venture to predict that it will be an anti-climax when it actually happens.

* * *

Goodyear and the Arrears on the Preferred

A special meeting of the stockholders of Goodyear Tire & Rubber Co. has been called for November 2, next, for the purpose of considering a plan to eliminate the existing $7 cumulative preferred stock and the dividend arrears that have accumulated upon it. It is proposed to offer holders of the existing preferred a new 5% preferred and one-third of a share of common stock. With the common currently quoted around $24 a share, a third of a share is worth therefore about $8. The new stock is to be dated back to last February, so that those who make the exchange will receive what amounts to a cash bonus of $3. This $3, plus the $8 which presumably would be received for the third of a share of common, closely approximate the $11.25 which will be the amount of the accumulations on the old preferred as of October 1, this year. The new preferred will be convertible, starting at three shares of common for one preferred and gradually working up to three shares of preferred for four shares of common. To make the proposed plan effective will require the vote of two-thirds of the common stockholders and three-quarters of the preferred stockholders. Unquestionably, the plan is to the advantage of the former. Preferred stockholders, however, may reason logically that if the company does sufficiently well to make the convertible feature of the new preferred really valuable they, by holding their present stock, are likely to receive all back dividends in cash and will probably have their shares redeemed at the call price of 110. In the meantime the $4 dividend currently being paid on the $7 preferred undoubtedly would have been raised to the full nominal rate.

* * *

In the report showing earnings of slightly more than 52 cents a share of common for the first six months of this year, International Telephone & Telegraph declares that no remittances have been received from the Spanish subsidiaries since July 17 and that the transfer of funds is not possible at the present time.

Disappointing Action of the Utilities

The output of electric power continues to run very substantially above last year. Utility dividend news has been good. Yet of all major groups the utilities have been the most disappointing actors from a stock market standpoint. It is said that they reflect election fears and that the return to office of the present Administration would be the signal for a renewed drive upon these companies. On the other hand, why these fears should be any stronger than they were a few months ago is not readily understood. Even should the present Administration be returned, it cannot fail to take into consideration that New Deal policies are not as universally approved as they once were. No, the weakness in the utilities is not readily explained and should it go any further in the coming weeks before election one would expect a profitable rally afterwards whoever is returned.

* * *

The upward gyrations of Wright Aeronautical are being attributed to a high "nuisance" value. Controlled by Curtiss-Wright which owns all but less than 17,000 shares, holders of Wright Aeronautical are expecting a high price for their stock in connection with the parent company's plan to consolidate its subsidiaries in order to effect tax savings.

* * *

Goodrich's New Product

The noisy street car promises to become a thing of the past, with its modern counterpart acquiring new dignity and quietness. After some years of research B. F. Goodrich Co. has perfected rubber car springs and wheels, which make it possible to virtually eliminate the usual trolley noises. The method employed differs somewhat from that used in mounting automobile engines on rubber. The car springs are actual rubber springs which completely take the place of the steel springs ordinarily used. The use of rubber in car wheels is accomplished by using two discs of rubber connecting the center section of the wheel with two outer members which are attached to the axle. Cars of this type are being placed in regular service in Brooklyn, while nearly 400 have been ordered for various traction systems throughout the country.

* * *

"Armour & Co.'s business for the past quarter has been the best that we have experienced for any similar period in a number of years and September got off to a good start" was a statement made recently by the company's president. This seems to augur good news in meat packing company statements which will be issued before long for the year ended October 31.

* * *

Further Expansion for Tide Water Associated

Tide Water Associated Oil, the largest customer of South Penn Oil, has purchased 172,743 shares of the capital stock of the South Penn Oil Co. The purchase price was reported to have been $35 a share. South Penn is the largest producer of Pennsylvania crude oil and together with Tide Water Associated shares ownership of the largest gathering system in the Bradford area. Since the dissolution of the old Standard Oil in 1911, South Penn has had a long and successful record of operations as an independent producer. Dividends have been paid continuously except from 1923 to 1925. The business relationship between the company and Tide Water Associated has existed for some time and the closer linking of the two companies should prove mutually advantageous.

* * *

Large Equipment Buying Still to Come

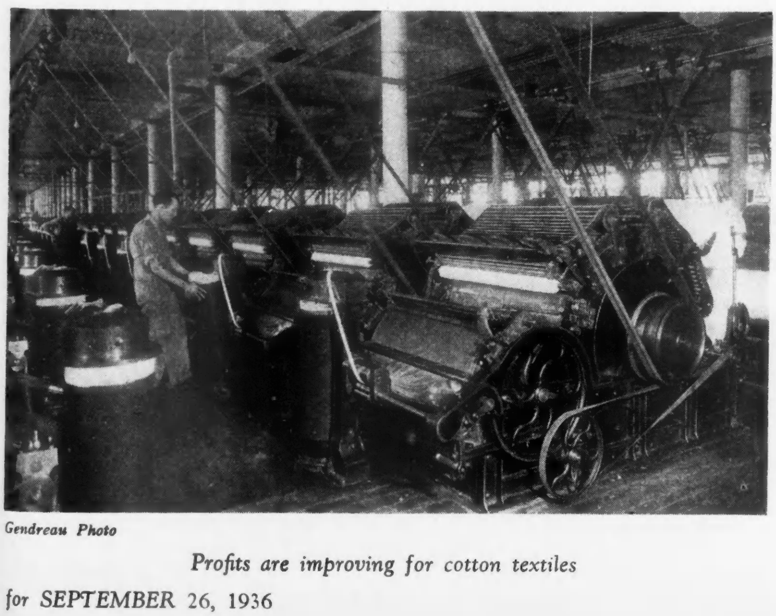
With net operating income of Class 1 railroads showing a gain of 35% for the first seven months, most carriers will have substantially more money to spend for equipment this year. Even allowing for the adverse effects of the drought upon the movement of freight in the later months, prospects are favorable for a gain of from 20% to 30% in net operating income for the full year. This would mean that some $100,000,000 will be available for maintenance and equipment outlays. Currently the freight car reserve is less than it has been in many years and most of this reserve is made up of obsolete cars. Locomotive reserve is likewise extremely low and greatly increased passenger traffic seems certain to stimulate the demand for additional coaches and more modern equipment. Despite the fact that equipment buying this year has shown definite revival, railroad capital expenditures are still considerably lower than normal. To restore the normal ratio of capital expenditures to net operating income would necessitate an increase of about 100% from the 1935 level. With the railroads favored by increasing traffic, equipment manufacturers will have ample reason for anticipating a rising volume of new orders.

* * *

Prices Are Rising

Any doubt that there might still be in anyone's mind concerning the present trend of prices would be dispelled immediately by the careful reading of newspapers for a few days. Over the past week or so, we notice that important factors in the rug and carpet industry have raised the price of their products. Procter & Gamble and Colgate-Palmolive-Peet have upped the price of soap. Heavy melting scrap is selling at Pittsburgh at $18.50 a ton, the highest level since August, 1929.

(*Please turn to page* 733)



Gendreau Photo

Profits are improving for cotton textiles

Understanding Today's Market Fluctuations

Leaders in Recent Markets Demonstrate New Principles

By Frederick K. Dodge

An examination of the price movements of the most active stocks in recent sessions on the New York Stock Exchange emphasizes again a notable failure to discount developments affecting the company or industry represented. Of course, this tendency is not by any means to the disadvantage of the average trader and investor for he does not have to contend with the handicap which insiders formerly had over him. Prior to the establishment of the S E C, insiders and their friends who were in possession of all the facts concerning an organization and fully advised as to the management's plans for the future, and in a position intelligently to forecast industry trends; could and did take advantage of their superior status. Stocks were purchased and sold by these individuals in advance of publication of news bearing on the company's prospects; and, when the news finally appeared, the security's price movement was diametrically opposite to that which might have been expected judging from the character of the news. Such technical action resulted because this group of speculators nearly always sold their short-term holdings in the good market created by good news, and covered their short lines or replaced stock they had previously sold, when the published news was unfavorable.

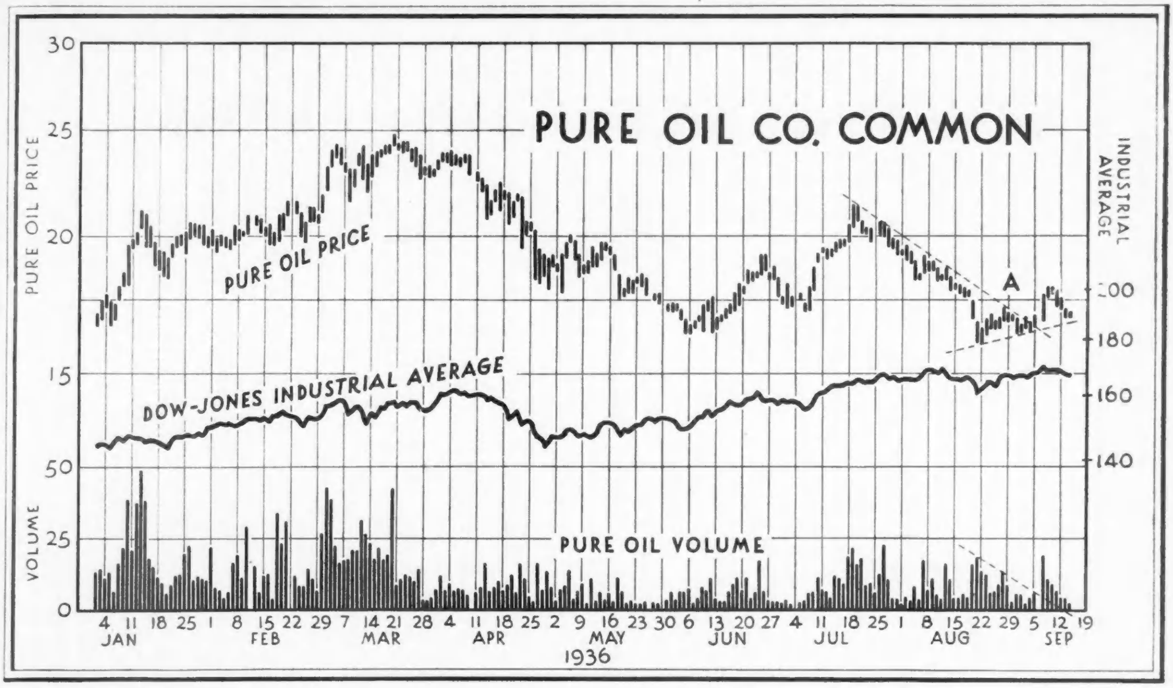
But this is not the case today. Consider some of the most active issues in recent markets. Let us begin with Packard. In mid-July the stock was selling at about 11. It then slowly receded in price until it reached a low of 10¼ by the middle of August. Interest in the issue also declined as reflected in gradually lowering volumes of transactions. Was there any anticipation of good news to come in this technical action? Assuredly not. When, on August 27, however, it became generally known that the company was doubling production capacity and was ready with its low-priced car, the stock immediately became far more active and prices began to rise swiftly. In a few days the stock became one of the most active of all those listed on the New York Stock Exchange, and its price advanced to a high of 13¼ in the brief interval of 14 market days, a short-term appreciation of nearly 30 per cent. There apparently was no selling on the good news by those in possession of advance information, and buying of the type looking forward to further advance as motor sales generally receive the impetus of the autumn show came into the stock.

Paramount Pictures is another low-priced issue that recently climbed into the limelight. In this case it was the publication of second quarter losses that were far less than generally had been expected, which was behind the activity.

Keeping Up With the Active Stocks

	Shares Outstanding	Dividend	Recent Price	Approx. Yield	Annual Earnings 1934	Annual Earnings 1935	Interim Earnings 1935	Interim Earnings 1936	Price Range 1935 High	Price Range 1935 Low	Price Range 1936 High	Price Range 1936 Low
Packard Motor	15,000,000	0.25(1)	12½	....	d0.49	0.22	0.02je6	0.23je6	7½	3½	13⅛	6⅞
Paramount Pictures	1,610,452	....	10¾	....	....	0.79	0.83je6	d0.43je6	12	8	12	7⅛
U. S. Steel	8,703,252	....	70¾	....	d5.39	d2.77	d1.79je6	0.42je6	50⅝	27½	73⅛	46⅜
Bethlehem Steel	3,194,314	....	69¼	....	def	def	d0.65je6	0.17je6	52	21⅝	72¼	45¾
N. Y. Central R. R.	4,992,597	....	44⅛	....	d1.54	0.02	d0.83je6	0.07je6	29¾	12¼	46	27¾
Pure Oil	3,038,370	....	16⅞	....	d0.97	2.00	......	......	17	5⅞	24⅞	16
International Nickel	14,584,025	1.40	62	2.4	1.14	1.66	0.64je6	1.13je6	47¼	22¼	62	43¼
Consol. Edison Co	11,476,527	2.00	41	4.9	2.18	2.01	2.11je12	1.97je12	34¾	15⅞	44¾	27¼
Budd Mfg	1,422,630	....	13⅝	....	d1.82	0.33	0.07je6	1.05je6	9¾	3¼	15⅞	9⅛
Radio Corp	13,897,209	....	11	....	d0.10	d0.04	0.05je6	0.01je6	13⅜	4	14¼	9¾
Bucyrus-Erie	560,000	....	16¼	....	Nil	Nil	Nil je6	0.13je6	8⅞	4¼	17⅝	8⅞
Republic Steel	4,046,767	....	23½	....	d3.43	0.49	0.47je6	0.44je6	20¾	9	26¾	16⅞

d—Deficit. (1) Paid this year. je6—6 months ended June 30. je12—12 months ended June 30.



It was apparently realized that motion picture attendance had been well-sustained during the summer months and that the financial showing of producers and exhibitors will be more favorable than had been imagined, and with still larger seasonal attendance yet to come. The stock, just prior to the publication of earnings, had sagged to the lowest price of the year. On Friday, August 21, the stock dropped to a low of 7¼ with a gap of ⅛ point between the high for the day and the low of the preceding market session. Such a gap, following a long and persistent decline in the market price, is regarded by chart theorists as an "exhaust gap," usually marking the low for the stock for some time to come, and indicating an oversold technical position in the issue. At any rate, there had been no anticipation of favorable developments in the market movement; and, when the earnings report became publicly known, the result was the same as had been the case in Packard Motor Car. Up went the price on increasing volumes, until Paramount became one of the leading active stocks at price levels 50 per cent higher than at the start of the speculative move, and making up in short order all the decline in price that had occurred since February, 1936.

Such technical action has not been confined to the low-priced issues alone. U. S. Steel and Bethlehem Steel have also been market leaders in every sense of the word. Favorable industry news developments have been primarily responsible for their great popularity at rising prices. The two companies are the principal producers of heavy steel and recent comment on the growing demand for these items from the railroad and construction industries has been most favorable. A trend toward more new financing to provide funds for expansion of production facilities (as against a mere continuance of the high volume of refunding operations in the bond market) was also of favorable significance. Steel operations are presently at very satisfactory levels and prices on some of the more basic items produced are being advanced. The earnings trend is upward, and everybody knows it. Good news has generated market action in line with intelligent interpretation of developments. There had been no anticipation of these developments in the preceding price movements of U. S. Steel and Bethlehem Steel common stocks. They moved with and after the incidence of news considered to be of value in indicating what the future may hold in the way of earnings for these two important companies.

An interesting case is also noted in the price movement of International Nickel over the past month. In the early part of August the stock rose substantially for six successive market days from 50½ to a level of slightly over 54. Over the three weeks following this brilliant action, its price fluctuated within clearly-defined limits on lower turnover. Such a formation is recognized in chart circles as indicating a strong possibility that the issue involved is under accumulation. As a matter of fact this recent technical action in the market for International Nickel is remarkably similar to that which occurred just prior to the stock's long and spectacular rise during the final three months of 1935. In recent market sessions the issue has been chalking up new highs since 1929, thus tending to confirm the bullish indications given in its market action.

Oftentimes when a particular stock has been persistently declining for a considerable period of time, while most other issues have been firm or have been in an advancing phase, its price movement and changes in volumes of transactions give a technical signal frequently indicating that a definite change in the characteristics of its market is in the making. Such a signal is well exemplified by the recent price and volume fluctuations of Pure Oil common stock. Reference to the accompanying graph shows that Pure Oil common has persistently declined in price on substantial volume, from a level approximating 21 in the middle of July, to about 16 at the end of the third week in August. The tail end of this steadily sagging trend was marked by two successive "exhaust gaps" on relatively high volumes of transactions. Such technical action usually indicates that the security has reached the climax of its short-term declining phase.

Following this there occurred a series of price fluctuations

(Please turn to page 741)

Profit Opportunities Among the Specialties

Issues for Present Purchase That Have Good Appreciation Possibilities

Selected by THE MAGAZINE OF WALL STREET STAFF

Container Corp. of America

Container Corp. is the country's largest manufacturer of paper shipping containers, cartons and paper boxes. The company has some 8,000 customers to which it furnishes folding cartons, boxes and their like, and a broad diversity of industries served include packaged foods manufacturers, drug companies, distilleries, shoe manufacturers, etc. Competition in the company's field is fairly active and in the past has been responsible for some unprofitable price-cutting, but the company's leadership has enabled it to survive adversity if not escape it. Since 1933 profits have registered progressive gains and are currently running at the best levels since the company was organized in 1926.

Plants total 13, strategically situated with respect to the company's principal markets, and sales offices are maintained in all of the principal cities in the country. Earlier this year the company proposed to erect a plant in Florida for the manufacture of Kraft paper from slash pine, funds for this purpose to be raised by the issuance of 200,000 shares of $50 par preferred stock. In addition the company planned to borrow $4,000,000 from the banks. Net proceeds of $9,500,000 derived from the sale of preferred stock plus the bank loan were to have been used in retiring funded debt of $7,654,172, while about $6,000,000 would be used in the erection of the new plant. Last year the company imported about 32,000 tons of pulp from Sweden at $40 a ton, so that the new plant would mean a substantial savings in production costs. Surplus production could be sold to yield a good profit, further augmenting earnings. As yet, however, no offering in preferred shares has been made, and recently the company's S E C registration was withdrawn, probably for the purpose of revising the plan in view of the recently enacted tax legislation.

The steady upturn in earnings since 1933 has made it possible for the company to eliminate the sizable profit and loss deficit which had piled up in previous unprofitable years. Not only, however, was the company's balance sheet position materially improved last year, but all accumulated dividends on the 7% preferred shares were eliminated and subsequently a capital readjustment supplanted all of the preferred shares and class A and B stock by a single issue of common stock, now outstanding in the amount of 653,540 shares. Owens-Illinois Glass owns 50,000 shares of the common.

Earnings Per Share 1st 6 Mos. 1935	Earnings Per Share 1st 6 Mos. 1936	Recent Price	Div.	Yield %
$0.66	$0.74	$20	$1.00	5.0

Last year net income of $1,238,009 was equal to $1.89 a share and in the first six months of the current year net available for the common was equal to 74 cents as compared with 66 cents in the same period a year ago. Prices have been somewhat firmer than in the earlier months of the year and recently both tonnage and dollar bookings have been about 25% ahead of last year. If the proportionate gain in earnings which has been shown thus far is maintained in the final half of the year, profits for the full year would be in the neighborhood of $2 a share for the common.

Dividends were resumed in August by the declaration of a quarterly payment of 25 cents, but with the possibility that current earnings may be four times as large as dividends paid, a somewhat larger payment may be made at the year-end. The management is doubtless anxious to further build up the company's financial position and working capital, but it may be advisable in light of the provisions of the new tax law to give stockholders a larger share of earnings than might otherwise be the case.

At 20, the shares would appear reasonably valued on the basis of prospective earnings and, with the probabilities that the present upward trend in earnings will be sustained next year, the speculative features are readily discernible. There is also the possibility that the company's business volume may be further enlarged by the successful development of several new types of paper containers which have been under consideration by the management.

American Safety Razor Corp.

Notwithstanding the keen competition in the company's field, American Safety Razor Corp. has been able to achieve an enviable earnings record, with sizable profits being shown even at the depths of the depression in 1932. Currently, earnings give promise of equalling, or perhaps exceeding, the previous high level attained in

1929, at the peak of the boom.

The principal products of the American Safety Razor Corp. are the "Gem" and "Ever-Ready" safety razors and blades, which are extensively advertised and sold throughout the world at popular prices. In addition the company manufactures shaving brushes and "Lox Pile Wires" and "Lox Pile Wire Blades," used extensively in the manufacture of carpets. Last year another company manufacturing soap and cosmetics was acquired and plans have been formulated for the active development of this field. Another new activity, upon which American Safety Razor has recently embarked, is the manufacture of surgical blades used as operating knives by physicians and surgeons. The company has reinforced its trade position by distributing agreements with large domestic and foreign interests and its products are available in practically all of the various retail outlets. Although it is the second largest manufacturer of razors, etc., the principal competitive threat to American Safety Razor's trade position emanates not from the large manufacturers but from the lesser known brands, of which there are a considerable number. In the face of the company's record thus far, however, there exists ample basis for assurance of its ability to more than hold its own.

Earnings Per Share 1st 6 Mos. 1935	1st 6 Mos. 1936	Recent Price	Div.	Yield %
$1.01	$1.13	$36	$2.00	5.5

Capitalization consists solely of a single class of stock and there is no funded debt. Recently a three-for-one split in the shares increased the amount of stock outstanding to 524,400. The split-up was effected apparently for the purpose of permitting wider public distribution. Dividends have been maintained without interruption since 1922 and even during the depression annual disbursements to stockholders were not less than $3 a share on the old stock. Dividends totaled $6 a share last year and payments on the new stock have been initiated at the rate of 50 cents quarterly.

On the basis of the present capitalization, net income in 1935 of $1,271,008 was equivalent to $2.42 a share, comparing with $2.03 in 1934. Record earnings in 1929 were equal to $2.94 a share. Profits have recorded further gains this year, net income in the first six months having been equivalent to $1.13 a share, comparing with $1.01 a share in the corresponding period of 1935. The last half of the year is normally the most profitable, and with prospects favoring one of the most active holiday business seasons since 1929, the company might earn as much as $3 a share. Financial position is excellent, so that further gains in earnings would seem certain to presage a higher dividend rate or a generous extra.

Recently quoted at 36, the shares of American Safety offer an equity in established and substantial earning power, plus liberal dividends and the well defined possibility of further gradual price appreciation.

American Chain Co.

American Chain Co. is an organization whose name barely hints of the wide scope of its activities. Primarily, of course, the company is one of the world's largest manufacturers of chains, its products ranging in size from small plumbers' chains to huge anchor chains, and include the well-known Weed tire chain, used to prevent skidding. In addition, however, the company produces an extensive line of automobile accessories such as bumpers, jacks, upholstery springs, brakes and complete garage equipment. The company makes bridge cable and wire rope the latter used extensively on aircraft and yacht rigging; also wire fencing, wire nails, razors and razor blades, malleable castings, bar iron and machine shop equipment. Of this extensive list of products, automobile accessories currently are probably making the largest contribution to earnings.

The company's operations in the years 1931-1933 inclusive were unprofitable. The aggregate deficit for this period, however, amounted to only $5,600,000, after interest and depreciation which for a company the size of American Chain is comparatively small. Consequently, the company was able to weather the depression without impairing its finances. At the end of last year, current assets, including $1,424,501 cash and marketable securities, amounted to about $9,500,000, while current liabilities were only $1,293,439.

The depression slump in earnings, however, compelled the company to defer dividends on its 88,261 shares of 7% preferred stock and at the beginning of the current year accumulated dividends amounted to $22.75 a share, or slightly more than $2,000,000. On October 1 last, regular dividends on the preferred shares were resumed; $3.50 was paid January 1, a payment of $3.25 a share was made on July 1, and on September 21 preferred stockholders received $8 a share. A plan has been formulated whereby holders of the preferred will be given the privilege of exchanging their shares for 1¼ shares of new 5% convertible preferred. Shares of the old preferred not exchanged will be called at $110 and accrued dividends. The new preferred shares will be convertible into the common at $66 2/3 a share until September 15, 1939; at $75 until September 15, 1942, and at $80 to September 15, 1946.

Earnings Per Share 1st 6 Mos. 1935	1st 6 Mos. 1936	Recent Price	Div.	Yield %
$.83	$3.69	$56	None	...

Last year the company sold $1,650,000 serial notes privately and with the proceeds, plus cash from its treasury, retired all of its funded debt amounting to $3,438,500. Also nearly 7,000 shares of preferred stock were retired, fulfilling sinking fund requirements for 1934 and 1935.

These series of financial developments coupled with the marked improvement in earnings have cleared the way for resumption of dividends on the 250,222 shares of common. Earnings last year, after making allowance for regular dividends on the 7% preferred stock, were equal to $4.11 a share for the common. In 1934, net was equivalent to $5.16 a share on the preferred. In the first six months this year, the company's net income increased 136% and was the highest for that period in thirteen years. Earnings were officially estimated at $3.69 a share on the common, as against 83 cents a share in the first six months of 1935. For the full year earnings of as much as $8 a share may be shown.

Reflecting the favorable trend of the company's affairs, the common stock has nearly doubled in value this year. At 56, however, prospects would appear to be conservatively appraised and substantially higher levels would doubtless be induced by concrete evidence of sustained earnings, followed by the resumption of common dividends.

Crown Cork & Seal Co., Inc.

One of the leading beneficiaries of Repeal, Crown Cork & Seal has the rather unique distinction of having

operated within the span of three years both at a deficit and record-breaking earnings, 1935 having been the year in which profits attained a new high level. Moreover, profits in the current year show ample promise of surpassing last year's results.

The company engages primarily in the manufacture of bottle caps, familiarly known as "crowns." In addition, bottle filling and capping machinery are manufactured and this year the company has embarked upon a program designed to completely round out its activities in the container field. Earlier in the year, a subsidiary,

Earnings Per Share 1st 6 Mos. 1935	Earnings Per Share 1st 6 Mos. 1936	Recent Price	Div.	Yield %
$1.40	$2.19	$80	$2.00	2.5

the Detroit Gasket and Manufacturing Co., was sold. Subsequently Crown Cork acquired the Acme Can Co., of Philadelphia, which manufactures a general line of plain and lithographed cans, tin boxes, beer cans and packers sanitary cans. The company also has obtained options upon patents and processes pertaining to the manufacture of glass containers. Development activities this year have been directed toward the perfection of an aluminum-lined can for milk and food products, also a "valve can" which would facilitate the cooking of foods by permitting the injection of steam. Large sums have been expended on plant facilities, enlarging the scope of the company's manufacturing operations. The combined effect of these developments may be somewhat apparent in current operations but returns will be more fully realized next year.

Last year the company marketed $5,500,000 4% bonds maturing 1950 and more recently 225,000 shares of $2.25 preferred stock, with common stock purchase warrants attached, were sold. Holders of 145,500 shares of $2.70 preferred stock were given the privilege of exchanging their holdings for the new preferred on a share-for-share basis. Common stock issued as of June 30, last amounted to 384,237 shares. This has been increased somewhat since by the exercise of purchase warrants, and if all such warrants are exercised, the outstanding common would be increased to 426,870 shares.

Last year common stock earnings of Crown Cork & Seal were equal to $3.87 a share. Profits this year were equal to $2.19 a share for the common in the first six months, as against $1.40 a share in the same months a year ago. Current results do not include the profit of $1,728,000 realized on the sale of the Detroit Gasket subsidiary. Thus far this year the company has paid aggregate dividends of $1 a share, the last quarterly payment having been at the rate of 50 cents a share. There is an excellent possibility, however, that a sizable extra dividend will be paid before the year-end, if the company is to avoid payment of a large surplus earnings tax. If non-recurring profits are included with operating profits net income in the first six months would have been more than $6 a share on the common. Even if the common is increased to the full amount of the preferred stock purchase warrants, allowing for the larger dividend requirement on the increased amount of preferred stock and assuming that earnings in the two final quarters are no larger than in 1935, net available for the common would be between $7 and $8 a share.

At 80 the shares are selling close to their high for this year, but do not appear to be selling higher than would be warranted by indicated normal earnings this year and the prospect of a larger dividend. The results of an aggressive expansion program may substantially augment 1937 profits, and on the whole, the shares would appear to possess distinct merit both from the standpoint of potential price appreciation and increasing dividend return. Incidentally, the company's interests in Spain are not so large as to adversely affect earnings should operations there be interrupted by the unsettled political situation.

United Carbon Co.

The current year promises to be the third successive one in which profits of United Carbon have set a new high record. In achieving this unusual showing, the company has been favored by factors other than the general improvement in business during the past three years.

United Carbon Co., is one of the foremost manufacturers of carbon black, a product which derives considerable industrial importance from its fineness of division. Of the total carbon black produced annually, 75% is used in the manufacture of automobile tires, 15% in printing inks, while the balance is used in making such products as shoe polish, rubber heels, lacquers and paints. The company engages in extensive research activities and has developed various grades of carbon black, permitting users to attain the maximum efficiency from it. More than 60% of the world's supply of carbon black is produced in the Texas Panhandle, where the principal properties of United Carbon are located. The company has benefited as a result of firmer prices and a sizable increase in the demand for carbon black, notably from tire manufacturers. Also, there has been a significant improvement in the statistical position of the carbon black industry. Sales have exceeded production, with the result that current inventories are equivalent only to about a three months' supply, a reduction of about 50% since last year.

Earnings Per Share 1st 6 Mos. 1935	Earnings Per Share 1st 6 Mos. 1936	Recent Price	Div.	Yield %
$2.36	$2.73	$86	$3.00	3.4

Of particular importance in relation to recent earnings, however, has been the substantial gain in the sale of natural gas. The production of natural gas is an important phase in the manufacture of carbon black and United Carbon has its own natural gas plants and pipe lines and owns and leases many thousands of gas lands, including about 500 acres in the important new Rodessa field. In 1935, the company had more than 15,000 acres of gas leases in Kentucky, Kansas, Louisiana and Texas and 41 producing wells were drilled. Sales of natural gas by United Carbon have increased 225% since 1929 and seem likely to continue in a steady rise.

Activities in all divisions of the company's business last year netted an aggregate profit of $1,872,405. This was equivalent to $4.70 a share on the single class of stock, of which there are 397,885 shares outstanding. In 1934, the stock earned the equivalent of $3.55 per share. During the past eleven years the company has shown a deficit in only one—1931. And in that year the loss was less than $400,000. In the first six months of 1936, net income was equal to $2.73 a share, comparing with $2.36 a year ago.

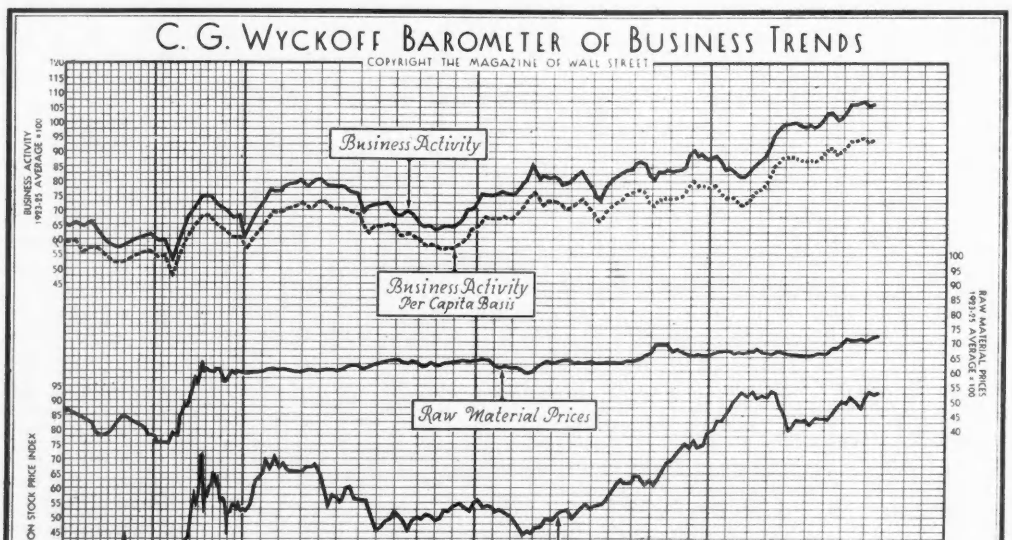
On the basis of the indicated results for the full current year the recent increase in the dividend from $2.40 to $3 annually was wholly warranted. There is also a strong likelihood that a generous extra will be paid before the end of the year to avoid payment of a sizable tax on undistributed profits. At 86, the shares are not particularly undervalued, but they represent the entire equity in a company with a long record of profitable operations to its credit, as well as one likely to be favored by a rising trend in earnings for some time to come.

Taking the Pulse of Business

—Active Pace Continues
—Prices Trend Higher
—Motors Temporarily Slack
—Steel Activity High
—Cotton Consumption Up

LATE summer vacations, with most automobile assembly lines closed down a week earlier than last year for the change to new models, have been chiefly responsible for a rather sharp decline in the per capita Business Activity index from a recovery high of 95.4% to around 94% of normal. With Government expenditures slated for little if any decrease during the current fiscal year and with the present gratifying rate of expansion in residential construction activities, it would be hard to conceive of any substantial set-back in general business conditions during the coming twelve months; though production activity may not show such sensational relative gains during the fourth quarter when comparison is made with the corresponding period a year ago. This conclusion takes into consideration the circumstance that the closing months of the current year will come into comparison with a steeply rising business curve last year. Then, too, analysis of the recent voting in Maine points to a rather close national election in November and, until the issue is definitely settled at the polls, it would not be unnatural for an appreciable number of expansion projects to be held in abeyance.

A second factor which may eventually slow down the rate at which business has been improving is the rising trend of commodity prices. Our Raw Material Price Index has recently advanced to a new high since the dollar was devalued, partly owing to drought influences and partly because an expanding wave of prosperity tends to create a seller's market and so leads to price advances which may have the effect of curtailing consumption and so act as a self-generated check upon further rapid gains in production. Higher prices for cotton mean higher prices for clothing, higher prices for grain and meat animals lead ultimately to dearer retail foodstuffs, and rising incomes increase marriage and birth rates, lead families to "undouble," and so cause an expanding demand for housing at rising rentals. Of course these secondary effects of advancing prices appear gradually over a considerable period of time and have little direct bearing upon the nearby business outlook; yet there is a more evanescent consequence of soaring prices which may lead in the not distant future to moderate slackening in the country's rate of production. We refer to the considerable amount of advance buying which has undoubtedly been going on during the past few months in steel products, copper, textiles, clothing and food products. Just how much



hoarding of goods has taken place is, of course, not definitely ascertainable; but, if retail trade this autumn should not come up to expectations, the business world would be caught with excess inventories, and so would go easy on further purchases until the surplus had been absorbed.

As a matter of fact, reports for August indicate that a slightly slackened rate of expansion in sales has already put in an appearance. Thus, compared with corresponding periods of 1935, the August gain in department store sales throughout the country amounted to only 7%, against an eight months' increase of 10%; while General Motors' sales to customers were only 5% ahead of August a year ago, the smallest comparative gain in some months. Among chain stores, all lines except food and mail order items reported a lower comparative gain in August than for eight months. Sales of rural merchandise in August showed a phenomenal gain over the previous year, because farm income was swelled abnormally by heavy marketings at high prices. With a smaller volume of products left to sell, however, there is likely to be a corresponding slump in rural buying power during winter months.

The Trend of Major Industries

STEEL—Owing to the closing down of furnaces for repairs in some districts there was a rather sharp dip in operations over Labor Day; but the following week witnessed a rebound to the best rate of the year. Persistent strength in steel scrap arises in considerable measure from European armament demands and should not be taken too seriously as barometric of the industry's outlook. As a matter of fact, the higher cost of scrap has been to some extent responsible for advances posted for fourth-quarter business on a number of semi-finished steel products, such as merchant bars, hot annealed sheets, rerolling billets, slabs and small shapes; though the probable necessity of raising wages before long has also been a contributing factor. Demand from the railroads is likely to be more satisfactory over the coming months, owing to expanding earnings; but the trend of operations for the fourth quarter rests to an unusual degree upon the amount of inventory accumulations that may already have taken place in anticipation of higher prices, labor trouble, and difficulties in obtaining delivery in some lines. In any event it is doubtful if fourth-quarter earnings will compare so favorably as the second and third quarters with results for the corresponding period of 1935.

METALS—Under pressure of competitive armament demand abroad, the price of copper in Europe has advanced since our last issue to around 10 cents, against the domestic price of 9¾ cents. In consequence, members of the foreign copper production curtailment agreement have, for the second time in two months, raised the foreign output by 5%, or about 3,000 tons a month, to 80% of standard tonnages. Domestic producers are still undecided as to the choice of raising prices or expanding production. World stocks on September 1st were down to 406,000 tons, the lowest in two years. World consumption of tin during the 12 months ended June 30 amounted to 148,000 tons, an increase of 16.4% over the preceding 12 months. Domestic zinc stocks on September 1 amounted to only 86,000 tons against 112,000 tons a year earlier.

PETROLEUM—Expanding production at stable prices renders it probable that earnings for the oil industry during the third quarter will make the best three months' showing this year. Wholesale and retail prices for gasoline are both somewhat higher than a year ago.

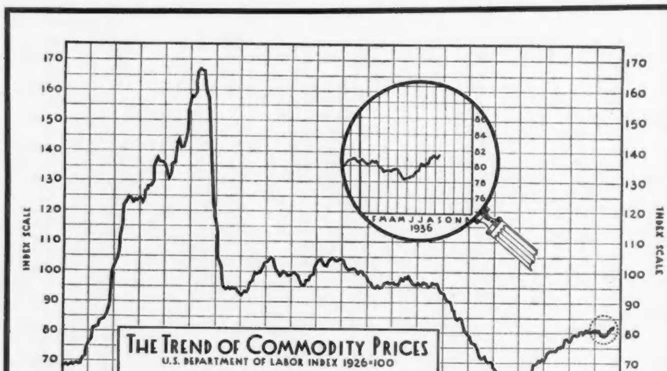
COTTON—Domestic consumption of cotton in August came to 574,000 bales against only 408,000 a year ago. Exports amounted to 182,000, against 241,000 bales. Demand for greygoods at advancing prices has been stimulated during the past fortnight by the Government's recent report indicating a season's crop of only 11,121,000 bales, against the estimate of 12,481,000 on August 1. At the recent try-out in Mississippi it developed that, under average conditions, it would cost $21.50 to harvest a bale of cotton with the Rust mechanical picker compared with only $15 by hand.

AMUSEMENTS—Expanding payrolls, shorter working hours, and better pictures are causing record attendance gains at the movie theaters.

FURNITURE—Wholesale furniture sales are 50% better than a year ago, more than three times as heavy as at the bottom of the depression; but still 35% under 1929 in dollar totals.

Conclusion

Retooling of automobile plants and belated summer vacations in some lines of industry have been chiefly responsible for a rather sharp decline in the Business Activity index since our last issue; but no substantial recession during the coming months is conceivable, particularly so long as Government expenditures and expansion in new residential construction continue at the present pace. Yet fourth-quarter comparisons with the previous year as to business volume, production and profits are not likely to be so favorable as for the first eight months of the current year — partly because comparisons will be with a sharply rising trend last year, and partly owing to a probability that political uncertainties and overstocking of goods may lead to some flattening out of the business curves during the next few months.

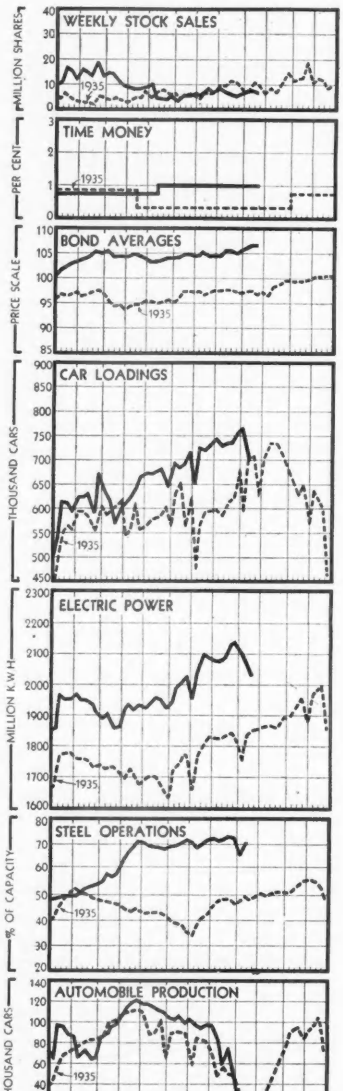


Changes in Major Commodity Price Group for the Fortnight Ended September 18, 1936

Farm Products	up	1.3	Metals	down	0.5
Foods	up	1.0	Building materials	down	0.1
Hides and leather	up	0.7	Chemicals	up	1.2
Textiles	down	0.1	Housefurnishings	up	0.2
Fuel and lighting	up	0.1	Miscellaneous	down	0.3

The Magazine of Wall Street's Indicators

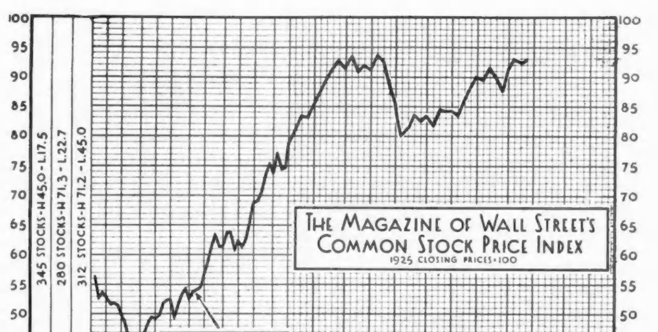
Business Indexes



Common Stock Price Index

1935 Indexes High	1935 Indexes Low	1935 Indexes Close	Number of Issues	(1925 Close—100)	1936 Indexes High	1936 Indexes Low	Sept. 5	Sept. 12	Sept. 19
78.6	43.0	78.4	295	COMBINED AVERAGE	93.9	78.4	92.9	92.5	92.9
119.5	64.1	113.4	5	Agricultural Implements	186.9	113.4	157.4	155.0	157.4
41.9	17.8	41.6	6	Amusements	53.1	39.9	50.9	52.6	53.1h
116.9	44.6	116.9	14	Automobile Accessories	142.2	116.8	136.0	136.6	135.1
17.7	8.8	17.7	13	Automobiles	24.2	17.7	22.6	22.0	22.0
108.2	41.3	108.2	7	Aviation (1927 Cl.—100)	141.0	104.3	129.0	128.1	131.2
14.7	7.9	14.7	3	Baking (1926 Cl.—100)	17.6	12.6	16.9	16.7	16.7
325.0	184.9	318.6	2	Bot. & Cks. ('32 Cl.–100)	450.6	318.6	449.2	434.6	450.6H
209.9	113.7	209.9	3	Business Machines	251.0	202.8	225.0	244.3	249.6
316.6	226.1	287.4	2	Cans	287.4	243.1	255.9	254.4	252.3
202.7	144.6	195.6	8	Chemicals	224.1	187.5	214.3	211.2	212.6
42.8	22.6	42.8	10	Construction	62.9	42.8	59.9	58.8	59.0
88.6	35.7	87.9	6	Copper & Brass	129.9	87.9	127.3	127.8	129.9H
39.3	27.5	39.3	2	Dairy Products	47.8	39.3	46.3	45.8	45.1
26.6	16.0	23.5	9	Department Stores	32.0	23.3	31.7	31.9	32.0H
87.6	56.1	85.8	7	Drugs & Toilet Articles	98.9	72.8	85.7	87.9	84.8
270.0	211.2	231.8	2	Finance Companies	392.8	227.2	392.8H	387.1	386 1
66.2	51.8	62.0	7	Food Brands	70.1	60.9	62.9	62.3	62 6
56.4	46.2	47.1	4	Food Stores	50.3	41.4	42.9	43.0	43 4
65.7	32.1	65.7	3	Furniture & Floor Cover.	86.7	65.7	86.7H	86.0	86 2
1209.7	990.2	1116.0	3	Gold Mining	1296.9	1116.0	1251.0	1261.1	1292.3
46.8	35.3	46.8	5	Household Equipment	54.4	46.5	51.2	51.8	52.3
38.7	17.0	38.3	5	Investment Trusts	45.3	36.6	44.3	44.4	43 3
359.0	223.6	323.8	2	Liquor (1932 Cl.—100)	333.8	265.2	308.9	297.2	308 2
139.0	65.1	139.0	9	Machinery	163.0	134.7	163.0H	161.5	160.7
67.3	36.0	65.9	2	Mail Order	86.2	61.3	85.3	85.5	86.2H
63.0	34.5	62.4	4	Meat Packing	83.9	59.4	64.2	66.2	65.7
183.6	109.4	169.5	10	Metal Mining & Smelting	189.4	159.5	176.7	180.3	186.7
97.2	51.3	97.2	24	Petroleum	123.2	97.2	107.2	108.5	108.3
67.2	23.0	67.2	18	Public Utilities	91.2	67.2	85.3	80.6	80.2
33.0	15.9	31.5	3	Radio (1927—100)	35.4	26.7	27.6	28.5	28.1
55.7	29.3	55.7	8	Railroad Equipment	73.8	52.5	72.7	71.4	73.2
28.8	16.5	27.3	24	Railroads	37.6	27.3	36.4	36.3	37.3
16.8	5.2	16.1	3	Realty	22.9	13.4	15.2	14.7	14.5
76.4	28.5	76.4	3	Shipbuilding	87.6	62.7	79.7	81.6	83.8
88.1	37.6	88.1	11	Steel & Iron	110.7	85.2	107.3	108.5	109.3
30.4	21.1	30.4	5	Sugar	45.3	29.8	41.6	40.6	38.8
153.6	122.5	153.6	2	Sulphur	175.6	142.8	152.2	152.2	150.7
78.3	34.2	77.5	3	Telephone & Telegraph	97.4	76.6	85.9	85.7	84.2
73.5	34.7	70.5	8	Textiles	81.4	62.0	70.0	69.5	69.7
10.6	6.0	10.6	4	Tires & Rubber	15.9	10.6	15.4	15.1	14.8
101.8	77.2	96.5	4	Tobacco	100.2	87.2	94.6	95.0	93.9
85.4	51.0	72.1	4	Traction	76.2	61.0	72.4	70.3	70.0
282.8	219.7	259.5	4	Variety Stores	299.2	232.5	299.2H	295.8	297.9

H—New HIGH record since 1931. h—New HIGH this year.



An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.

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2. Confine your request to *three listed securities.*
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CHASE NATIONAL BANK

I am indeed pleased I held my Chase National Bank shares on your recommendation last year. If it wouldn't be asking too much, will you advise me if you foresee comparable progress from here on?—C. C. R., Duluth, Minn.

The recently revived interest in the market for New York City bank stocks follows a period if dullness in which these issues failed to register proportionately the advances shown in other groups. Interest in bank stocks had lagged because of the general realization that with prevailing low money rates, and consequent small return on their investments, these institutions were handicapped in their ability to show satisfactory results. While there is as yet, little of a definite character upon which to predicate a forecast of higher money rates, there have been more recently, developments which undoubtedly provide a new interest. Contributing to this new interest has been an overflow of investment buying from high grade bonds and preferred stocks into bank stocks, coincident with more widespread confidence in the ability of banks to earn and pay dividends. Perhaps the most important factor in this recovery, however, has been the realization that to a large extent, assets which had been heavily charged down or entirely written off, under present conditions have recovered in value, and further recovery in values seems a reasonable prospect. Recoveries in value on assets of this character are likely in the future to prove a factor of considerable importance. From 1931 to 1934, Chase wrote off about $236,000,000 from capital funds. Since the recovery, however, and since the security markets have reflected this recovery in higher prices, a restoration of some of these asset values is in process. Chase has been able to call its $50,000,000 of preferred stock, and in addition, to transfer to surplus approximately the same amount. For the first half of the current year share earnings of about $1 fully cover the proportionate dividend rate, currently $1.40 annually. We believe that there is much room for improvement marketwise in the shares of this outstanding institution, and we also feel that the favorable conditions fairly recently operative in this situation are likely to continue into the future.

R. H. MACY & CO.

With Macy stock selling not far below the year's high, I am wondering what's ahead? Do you look forward to further appreciation later in the year in anticipation of holiday sales?—C. P. L., Fort Wayne, Ind.

There is in the record little to confirm the hope that because of holiday sales coming at the end of the year, one may look forward to firmness marketwise in the shares of R. H. Macy & Co. So much depends upon the general trend of the market itself in that period, that the incidence of normally increased sales volume is over-shadowed by the larger consideration of earning power over the entire fiscal twelve months' period. Macy is one of the largest department store enterprises, operating in addition to the New York City property, stores in Toledo, Ohio, Newark (N. J.), and Atlanta, Georgia. The New York City concern has been a pioneer in the adoption of innovations in department store merchandising methods, emphasizing quick turnover of merchandise, thus minimizing inventory losses. For some time this store has conducted its business on a cash basis, capitalizing that program by claiming ability thereby to save customers 6% on their merchandise purchases. Macy has been so successful in these policies for such a long period of time that it is properly regarded as an outstanding issue in the merchandising group. As such it commands respect marketwise. The records show a degree of financial strength probably superior to any of its associates in the field. It is only natural therefore that with the prospect of a substantial increase in volume of business as public purchasing power continues to improve, speculative attention would turn to shares in the merchandising group, as most likely to directly benefit. Macy, as the leader in the group, will undoubtedly receive the benefit of such

(Please turn to page 734)

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Our analyses show that the next stage of market recovery should get under way next month discounting results on Election Day. Industry should pick up rapidly after Election because business can plan ahead knowing which Administration will be in office. We expect the peak for this year late in the final quarter and the momentum to accelerate well into 1937.

SUBSTANTIAL profits are being made available to subscribers to THE INVESTMENT AND BUSINESS FORECAST. Last week, for example, they were advised to accept 56⅝ points profit and 2¾ points loss . . . a net profit of 53⅞ points . . . on six securities.

This is another illustration of the accuracy of our analysts in forecasting important market movements . . . in selecting sound securities that offer outstanding profits. It shows the valuable counsel that the FORECAST would provide in safeguarding your capital and equity and in having you secure material appreciation.

You would be advised definitely *what* and *when to buy* and *when to sell,* with the assurance that all commitments are being kept under our constant supervision. You would be guided in following a balanced market program to meet your wishes and objectives.

New Market Leaders Now Being Selected

Now is the time to make any necessary readjustments in your holdings so that you will be represented in those industries to benefit fully in the next upmove in the market. Expansion of considerable proportions is ahead for individual issues in many groups. They should be bought during the coming weeks and our specialists will be alert to recommend them at attractive levels.

October will be an important month of accumulation in the stock market. Take advantage of it and participate fully in the Fall and Winter advance by mailing the coupon below with your remittance . . . today.

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Include a Complete List of Your Present Securities for Our Analyses and Recommendations

New York Stock Exchange

Rails

	1934		1935		1936		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	9/16/36	Share
A								
Atchison	74¾	45¼	60	35¾	88½	59	80¼	‡2
Atlantic Coast Line	54¼	24½	37¼	19½	35¾	21⅝	32⅜	..
B								
Baltimore & Ohio	34½	12¾	18	7½	26⅜	15⅞	24¼	..
Bangor & Aroostook	46⅛	35½	49½	36⅛	49½	41⅞	47	2.50
Brooklyn-Manhattan Transit	44⅞	28¼	46¾	36½	55¼	40¼	53¾	3
C								
Canadian Pacific	18¼	10⅞	13¾	8⅝	16	10⅞	12⅛	..
Chesapeake & Ohio	48⅝	39½	53¼	37⅛	69⅜	51	66	2.80
C. M. & St. Paul & Pacific	8½	2	3	¼	2⅞	1½	1⅝	..
Chicago & Northwestern	15	3½	5⅝	1⅜	4⅞	2½	3⅛	..
Chicago, Rock Is. & Pacific	6¼	1⅜	2⅝	¾	3	1½	2⅜	..
D								
Delaware & Hudson	73½	35	43½	23½	52	36¾	46¼	..
Delaware, Lack. & West.	33¾	14	19⅛	11	23⅛	14⅞	19¼	..
E								
Erie R. R.	24⅞	9⅜	14	7⅛	18¼	11	16⅝	..
G								
Great Northern Pfd	32½	12¼	35⅛	9⅝	44	32¼	40½	..
H								
Hudson & Manhattan	12⅛	4	5½	2¾	5⅞	3⅛	4¼	..
I								
Illinois Central	38⅞	13⅝	22¼	9½	29¼	18⅝	25⅞	..
Interborough Rapid Transit	17½	5¼	23⅝	8¾	18⅞	11½	14¼	..
K								
Kansas City Southern	19¾	6⅝	14½	3¾	26	13	22¼	..
L								
Lehigh Valley	21¼	9½	11½	5	19	8½	17¼	..
Louisville & Nashville	62½	37¾	64¾	34	93	57½	90½	‡4.50
M								
Mo., Kansas & Texas	14⅞	4⅜	6⅜	2½	9⅝	5½	8⅝	..
Missouri Pacific	6	1½	3	1	4	2⅛	2⅜	..
N								
New York Central	45¼	18⅜	29¾	12¼	46	27¾	43⅝	..
N. Y., Chic. & St. Louis	26⅞	9	19	6	46⅞	27¾	43⅝	..
N. Y., N. H. & Hartford	24⅛	6	8½	2⅝	5⅛	3	4⅛	..
N. Y., Ontario & Western	11⅝	4½	6½	2⅝	7½	4	5⅝	..
Norfolk & Western	187	161	218	158	300	210	282	*8
Northern Pacific	36¼	14½	25¼	13⅛	36¾	23⅞	27¼	..
P								
Pennsylvania	39⅛	20⅛	32½	17¼	40¼	28¼	38½	‡1
Pere Marquette	38	12	34½	9¼	46½	25⅛	40⅛	..
Pittsburgh & W. Va	27	10	25	6⅞	41¼	21	36¼	..
R								
Reading	56⅜	35⅛	43⅛	29⅞	48½	35½	47¼	2
S								
St. Louis-San Fran	4⅝	1⅛	2	¾	3⅝	1½	2¼	..
Southern Pacific	33¾	14⅞	25½	12¾	44½	23½	41⅛	..
Southern Railway	36½	11½	16½	5½	24	12¾	21¾	..
T								
Texas & Pacific	43¼	13½	28½	14	49	28	40	..
U								
Union Pacific	133⅞	90	111½	82½	149	108½	137	6
W								
Western Maryland	17¼	7⅛	10⅛	5½	12⅛	8⅛	10½	..

Industrials and Miscellaneous

	1934		1935		1936		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	9/16/36	Share
A								
Adams-Millis	34⅞	16	37¼	38	35¾	17⅞	21¾	‡.75
Air Reduction	113	91¾	173	104¾	81¾	58	74½	*1
Alaska Juneau	23⅞	16⅝	20⅛	13¼	17⅜	13	16¼	*.60
Allegheny Steel	23⅛	15	32	21	39¼	26⅞	34½	*1
Allied Chemical & Dye	160¾	115⅛	173	125	245	157	225	6
Allis Chalmers Mfg	23⅜	10⅜	33⅞	12	59⅜	35⅜	53	1
Alpha Portland Cement	20⅛	11½	22¾	14	28½	19¾	25½	1
Amerada	55⅝	39	80	48½	125½	75	91¼	2
Amer. Agric. Chemical (Del.)	48	25¼	57¾	41½	63¼	49	57¾	3
American Bank Note	25¼	11½	47¾	13½	55½	37	40⅜	1
Amer. Brake Shoe & Fdy	38	19½	42½	21	64½	40	61	1.60
American Can	114¾	90¼	149⅝	110	137½	115¾	123	*4
Amer. Car & Fdy	33⅞	12	33⅞	10	50	30	45¾	..
American Chicle	70⅝	46¼	96	66	105⅛	87⅝	105	4
American & Foreign Power	13¾	3⅞	9¼	2	9¾	6½	6⅝	..
Amer. Power & Light	12¼	3	9⅝	1½	14⅜	7½	11¾	..
Amer. Radiator & S. S	17⅝	10	25⅛	10½	27⅜	18¾	21⅝	‡.15
Amer. Rolling Mill	28¼	13½	32⅜	15¾	34	23¾	27½	1.20
Amer. Smelting & Refining	51¼	30¼	64⅝	31⅝	91½	56¾	81⅝	2
Amer. Steel Foundries	26½	10⅛	25¼	12	44⅞	20½	41½	..
Amer. Sugar Refining	72	46	70½	50⅛	63⅝	48¼	58	2
Amer. Tel. & Tel	125¼	100⅛	160½	98⅞	179⅞	149½	174¼	9
Amer. Tob. B	89	67	107	74¾	104	88½	100¾	5
Amer. Water Works & Elec	27⅝	12⅝	22¾	7⅛	27	19⅛	24⅛	‡.20
Amer. Woolen Pfd	83¾	36	68¾	35½	70¾	54½	55	3
Anaconda Copper Mining	17¾	10	30	8	41⅛	28	39⅝	1
Armour Co. of Ill.	6¾	3½	6⅛	3¼	7⅜	4⅝	5½	..
Atlantic Refining	35¼	21½	28	20½	35⅛	26⅝	27¼	1
Auburn Auto	57⅜	16½	45½	15	54¼	26⅝	30¼	..
Aviation Corp. Del	10¾	3¾	5¼	2¾	7¾	4⅝	5⅛	..
B								
Baldwin Loco. Works	16	4½	6⅝	1½	6⅞	2½	3½	..
Bayuk Cigar	45¾	23	66¾	37½	19⅝	16¾	18¼	.75
Beatrice Creamery	19¾	10¼	20⅛	14	26	18	21¾	1
Beech-Nut Packing	76⅝	58	95	72	97	85	94	*3

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1934 High	1934 Low	1935 High	1935 Low	1936 High	1936 Low	Last Sale 9/16/36	Div'd $ Per Share
B								
Bendix Aviation	23⅞	9¾	24½	11⅞	31¾	21⅝	28½	‡1
Best & Co.	40	26	57½	34	62	48	60	*2
Bethlehem Steel	49½	24⅛	52	21⅝	72¼	45¾	68⅜	..
Bohn Aluminum	68¾	44½	59⅞	39⅝	63⅛	41	42¼	3
Borden Company	28¼	19⅞	27¾	21	32⅜	25⅝	29	1.60
Borg Warner	31⅜	16⅛	70½	28¼	83½	64	78⅝	*3
Briggs Mfg	28⅜	12	55⅜	24½	64⅞	43¼	56¼	*2
Bristol-Meyers	37½	26	42	30⅜	50½	41	46	*2
Burroughs Adding Machine	19⅜	10½	28	13¼	33¼	25	27½	.60
Byers & Co. (A. M.)	32¾	13¾	20⅝	11⅜	25¼	16½	23⅛	..
C								
California Packing	44⅜	18¾	42½	30½	43¾	30¼	39	1.50
Canada Dry Ginger Ale	29½	12½	17⅝	8⅛	18⅛	10⅜	16⅜	..
Case, J. I.	86¾	35	111¼	45¾	186	92½	149	..
Caterpillar Tractor	38¾	23	60	36½	79	54¾	73¾	2
Celanese Corp	44⅞	17⅛	35⅜	19½	32¼	21¾	26¼	‡.50
Cerro de Pasco Copper	44½	30¼	65¾	38⅝	58	47¾	53½	4
Chesapeake Corp	48⅞	34	61¼	36	86	59	79	3
Chrysler Corp	60⅜	29¼	93⅞	31	124⅝	85½	111¼	‡6.50
Coca-Cola Co	161½	95¼	93	72½	125	84	120½	2
Colgate-Palmolive-Peet	18⅛	9⅜	21	15⅛	20½	13	14⅜	.50
Columbian Carbon	77¼	58	101¼	67	136½	94	120¼	*4
Colum. Gas & Elec	19¼	6⅝	15¾	3⅜	23⅜	14	20	‡.20
Commercial Credit	40¼	18⅝	58	39½	81¼	44	78⅛	*4
Comm. Inv. Trust	61	35¾	72	56¼	82¾	55	77⅞	4
Commercial Solvents	36¾	15¾	23⅞	16½	24⅝	14¼	15½	60
Congoleum-Nairn	35⅜	22	27	45¾	44½	30⅞	33½	1.60
Consolidated Edison of N. Y	47⅜	18½	34¾	15⅞	44¾	27¼	41⅜	2
Consol. Oil	14¼	7¼	12¼	6½	15¼	11½	12¼	.60
Container Corp.	....	....	23⅛	22	26¼	15¾	20	1
Continental Can	64½	56¾	99¼	62¾	87¼	67½	69¾	3
Continental Insurance	36¼	23⅜	44⅞	28⅞	46	35½	38½	*1.20
Continental Oil	22¾	15¾	35	15⅛	38½	28⅛	30⅛	1
Corn Products Refining	84½	55½	78⅜	60	82½	63⅝	65⅞	3
Crown Cork & Seal	36¼	18¾	48⅞	23½	80¾	43⅝	76½	2
Cutler-Hammer	21½	11	47	16	65½	43¼	64	*1
D								
Deere & Co.	34⅛	10⅛	58¾	22¾	89¼	52	71¼	..
Diamond Match	28½	21	41	26½	40½	33	33	*1.50
Distillers Corp. Seagrams	26⅝	8⅞	38½	13⅝	34⅝	18¼	24⅜	..
Dome Mines	46¼	32	44⅞	34⅛	61½	41½	57⅞	*2
Douglas Aircraft	28½	14¼	58⅜	17½	79⅜	50⅝	74	..
Du Pont de Nemours	103⅞	80	146½	86⅝	167¾	133	159	*3.60
E								
Eastman Kodak	116½	79	172¼	110½	185	156	174	*5
Electric Auto Lite	31⅜	15	38⅜	19⅜	44⅝	30⅜	40½	*1.20
Elec. Power & Light	9⅝	2¼	7½	1⅛	17¾	6⅜	14⅛	..
Electric Storage Battery	52	34	58¾	39	55¼	42⅜	47	*2
F								
Fairbanks, Morse	18¾	7	39½	17	59¾	34¾	57	*1
Firestone Tire & Rubber	25¼	13⅛	25½	13⅛	33⅛	24⅞	27¾	1.20
First National Stores	69¼	53	58⅞	44⅜	48¾	40	46¾	2.50
Foster Wheeler	22	8½	30	9⅞	38¾	24⅛	32¾	..
Freeport Texas	50⅜	21½	30⅝	17¼	35⅝	23½	25	1
G								
General Amer. Transpt	43⅝	30	48½	32⅝	63	42¼	55	1.75
General Baking	14⅜	6½	13⅜	7⅜	15	10¾	14	*.60
General Electric	25¼	16⅞	40⅞	20½	48⅜	34½	45⅜	1
General Foods	36⅞	28	37½	30	43⅛	33⅜	39⅜	1.80
General Mills	64½	51	72½	59⅞	70½	58	61⅜	3
General Motors	42	24⅝	59⅜	26⅝	72⅜	53⅞	65¾	*2
General Railway Signal	45¾	23½	41¼	15⅝	50	32½	42½	1
General Refractories	23⅜	10⅛	33½	16¾	48½	33¼	47⅝	‡1.50
Gillette Safety Razor	14⅞	8½	19½	12	18⅝	13⅝	14½	1
Glidden	28⅜	15⅝	49½	23⅜	55¼	39¾	42½	2
Gold Dust	23	16	22	14⅜	21⅜	12⅝	13½	.60
Goodrich Co. (B. F.)	18	8	14½	7½	25⅛	13⅝	21⅞	..
Goodyear Tire & Rubber	41⅜	18½	26⅞	15¾	31⅞	21⅝	24¼	..
Great Western Sugar	35¼	25	34⅞	26⅝	39	31	35½	2.40
H								
Hershey Chocolate	73¾	48½	81¾	73¼	80	60	60	3
Hudson Motor Car	24½	6⅛	17½	6¼	19¾	13½	16½	..
Hupp Motor Car	7¼	1⅞	3⅞	¾	3¼	1	2⅜	..
I								
Industrial Rayon	32¼	19⅜	36⅜	23½	34⅝	25⅝	32½	1.68
Ingersoll-Rand	73¾	49½	121	60½	147	106	131¾	*2
Inter. Business Machines	164	131	190½	149¼	185¼	160	168	*6
Inter. Cement	37¾	18⅜	36⅞	22⅞	56¾	35½	54¾	2
Inter. Harvester	46⅞	23¼	65⅝	34⅛	90½	56⅝	77	2.50
Inter. Nickel	29¼	21	47¼	22¼	58¼	43¼	57¼	1.40
Inter. Tel. & Tel	17¾	7½	14	5⅝	19¼	12⅛	12½	..
J								
Johns-Manville	66⅜	39	99½	38½	129	88	113¾	*2
K								
Kelvinator	21¼	11⅝	18¼	10¼	25⅝	14¾	19⅝	*50
Kennecott Copper	23⅛	16	30⅜	13¾	49	28¼	48¼	1.20
Kroger Grocery & Baking	33⅝	23¼	32⅛	22¼	28	19⅜	20¾	1.60
L								
Lambert	31¾	22¼	28½	21¾	26¾	15⅞	18½	2
Lehman Corp	78	68¼	95¾	67⅛	111½	89	110	*3
Libbey-Owens-Ford	43⅞	22½	49¼	21½	70½	47¼	67	‡2.25
Liggett & Myers Tob. B	111¼	74½	120	94¼	116½	97¾	105¾	*4
Loew's	37	20⅜	55⅛	31¼	62⅞	43	59⅜	*2
Loose-Wiles Biscuit	44¾	33¼	41⅝	33	45	40	41	2
Lorillard	22½	15¾	26½	18½	26½	21⅛	22⅝	1.20
M								
Mack Truck	41¾	22	30⅝	18⅝	40⅜	27⅜	38⅝	1
Macy (R. H.)	62⅛	35¼	57½	30½	52⅞	40⅛	49	2
Mathieson Alkali	40¾	23½	33⅞	23¾	37½	27½	34⅛	1.50
May Dept. Stores	45¾	30	57¾	35⅞	59½	43¼	57	2

Endicott Johnson Corporation

The Board of Directors has declared a dividend No. 70 of Seventy-five Cents ($.75) per share upon the Common Stock and a dividend No. 2 of One Dollar and Twenty-five Cents ($1.25) a share upon the Preferred Stock, 5% Series. Both dividends are payable October 1, 1936 to stockholders of record at the close of business September 18, 1936.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

MAURICE E. PAGE, Secretary.

September 9, 1936.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1934		1935		1936		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	9/16/36	Share
M								
McIntyre, Porcupine	50½	30½	45⅝	33¾	49⅜	39⅝	41⅞	2
McKeesport Tin Plate	95⅛	79	131	90½	118½	85	88	*4
Mesta Machine	34¾	20⅛	42⅝	24⅛	64¼	40⅝	61	‡3.25
Monsanto Chemical	96½	39	94¾	55	103	79	97¾	‡1
Mont. Ward & Co	35⅝	20	40⅞	21¾	50¼	35¾	48	.80
N								
Nash Motor	32¼	12⅝	19½	11	21⅞	15	16⅜	1
National Biscuit	49½	25⅞	36⅜	22¼	38¾	30½	30½	1.60
National Cash Register	23⅝	12	23½	13½	30	21½	25	.50
National Dairy Prod	18¾	13	22⅛	12⅞	28¼	21	27	1.20
National Distillers	31⅝	16	34½	23⅛	33⅜	25⅝	29¼	2
National Lead	....	....	....	....	31⅜	26⅜	27½	*.50
National Power & Light	15½	6⅝	14¾	4⅞	14⅞	9⅝	11½	.60
National Steel	58¼	34½	83¾	40⅜	75	57¼	67	1.50
N. Y. Air Brake	28¾	11½	36½	18½	58	32½	56	‡.50
North American	25¼	10¼	28	9	10¾	6⅝	8	..
O								
Otis Elevator	19⅜	12½	26⅝	11⅛	32¾	24¼	27¼	.60
Owens Ill. Glass	94	60	129	80	164	128	142½	5
P								
Pacific Gas & Electric	23½	12⅜	31⅝	13⅛	41	30¾	36⅛	1.50
Pacific Lighting	37	20¾	56	19	58¾	47⅝	52	2.40
Packard Motor Car	6⅝	2¾	7½	3½	13⅛	6⅞	12½	†.25
Paramount Pictures	....	....	12	8	12	7⅛	10½	..
Penney (J. C.)	74¼	51½	84¾	57¼	92	69	91	‡2.50
Penick & Ford	67	44⅝	81	64½	73	60	61	3
Phelps Dodge	18⅞	13¼	28⅛	12¾	40¼	25⅝	38⅞	‡.75
Phillips Petroleum	20¾	13⅜	40	13¾	49⅜	38⅛	40⅛	*1
Pillsbury Flour Mills	34¾	18½	38	31	37¼	30	30½	1.60
Procter & Gamble	44⅜	33⅛	53¾	42⅜	49	40¼	46⅛	*1.50
Public Service of N. J	45	25	46¾	20⅜	49¼	39	45	2.40
Pullman	59⅜	35¼	52⅞	29½	58¾	36⅞	57¼	1.50
R								
Radio Corp. of America	9⅛	4½	13⅜	4	14¼	9¾	10¾	..
Radio-Keith-Orpheum	4¼	1½	6	1¼	9¼	5	7	..
Raybestos-Manhattan	23	14½	30¼	16½	38¼	28⅞	33¾	1.50
Remington Rand	13⅜	6	20¾	7	23¾	17½	19½	*.60
Republic Steel	25¾	10½	20¾	9	26¾	16⅞	23⅜	..
Reynolds (R. J.) Tob. Cl. B	53¾	39¾	67	55¼	58⅝	50	57	3
S								
Safeway Stores	57	38¼	46	31⅝	35½	27	29⅞	2
Schenley Distillers	38⅞	17⅛	56¼	22	52	37¾	44	‡.75
Sears, Roebuck	51¼	31	69⅞	31	88⅝	59⅝	85½	2
Servel	9	4⅜	17	7⅝	26⅞	15⅝	26	.60
Shattuck (F. G.)	13⅞	6¾	12⅞	7¼	17¼	11⅛	16½	.50
Shell Union Oil	11½	6	16½	5½	21½	14¾	20½	..
Socony-Vacuum Corp	19⅞	12½	15¾	10⅝	17	12½	13½	.50
So. Cal. Edison	22⅛	10⅛	27	10⅝	32½	25	30½	1.50
Spiegel May Stern	76¾	64	84	43⅞	89¼	63	84	3
Standard Brands	25¼	17¼	19⅛	12½	18	14⅜	15	.80
Standard Oil of Calif	42⅞	26½	41⅛	27¾	47⅝	35	36¼	*1
Standard Oil of Ind	32¾	23¼	33⅜	23	40⅛	32¾	37½	*1
Standard Oil of N. J	50⅛	39¼	52⅜	35¾	70	51⅛	60¾	*1
Sterling Products	66½	47¼	68	58¾	74	65	71	3.80
Stewart-Warner	10⅝	4½	18⅞	6⅝	24½	16½	19	.50
Stone & Webster	13¼	3⅞	15⅛	2½	21¾	14⅝	18	..
Sun Oil	74½	51½	77	60½	91	72	78	*1
T								
Texas Corp	29⅜	19⅝	30¼	16½	40	28⅞	36⅝	*1
Texas Gulf Sulphur	43¼	30	36¾	28¾	39⅛	33	37⅜	2
Tide Water Assoc. Oil	14⅜	8	15⅞	7⅝	19⅛	14¾	16¾	.60
Timken Roller Bearing	41	24	72½	28⅜	72½	56	64⅛	*2
Tri-Continental	6¾	3	8¼	1⅞	12	7⅛	9⅜	‡.25
Twentieth Century-Fox	....	....	24⅞	13	32⅜	22½	30¼	..
U								
Union Carbide & Carbon	50⅞	35⅞	75¾	44	100	71⅝	95	2.80
Union Oil of Cal	20½	11½	24	14¾	28½	20¾	22	1
United Aircraft	15¼	8⅛	30⅜	9⅞	32⅜	20⅝	25½	..
United Carbon	50⅜	35	78	46	87¼	68	84¼	3
United Corp	8⅞	2⅛	7¾	1½	9¼	5⅜	7¼	..
United Corp. Pfd	37⅞	21¼	45¾	20¾	48⅞	40¼	47⅛	3
United Fruit	77	59	92¾	60½	85⅛	66½	75⅛	3
United Gas Imp	20⅛	11½	18½	9¼	19½	14⅜	15½	1
U. S. Gypsum	51¼	34¼	87	40½	110½	80½	99⅜	2
U. S. Industrial Alcohol	64¾	32	50⅝	35⅛	59	31¼	32½	..
U. S. Pipe & Fdy	33	15½	22⅝	14¾	56	21½	51	1.50
U. S. Rubber	24	11	17¼	9⅛	35	16⅜	30¼	..
U. S. Smelting, Ref. & Mining	141	96⅝	124½	91¾	96½	72¼	78½	‡8
U. S. Steel	59⅞	29⅜	50⅝	27½	73⅛	46⅜	70	..
U. S. Steel Pfd	99½	67¼	119¼	73⅝	140¾	115½	135½	4
V								
Vanadium	31¾	14	21¾	11¼	27¼	16¼	23⅝	..
W								
Warner Brothers Pictures	8¼	2¾	10¾	2¼	14⅝	9¼	13⅛	..
Western Union Tel	66⅞	29½	77¼	20⅝	95	72½	87⅝	‡2
Westinghouse Air Brake	36	15⅞	35¾	18	48⅛	34¾	42½	1
Westinghouse Elec. & Mfg	47¼	27⅞	98¾	32⅝	147	94½	138	4
Woolworth	55¼	41¼	65¼	51	56⅜	44¾	54⅛	2.40
Worthington Pump & Mach	31⅞	13½	25¼	11¾	35½	23⅛	29½	..
Wrigley (Wm., Jr.)	76	54½	82¾	73¾	79	63	66	*3

* Annual Rate—not including extras. † Paid last year. ‡ Paid this year

For Profit and Income

(*Continued from page* 719)

Then there are plaints as to the rising cost of living and the papers are full of wage disputes because of it. To the investor, these developments should drive an oft repeated lesson home: the fixed income from bonds and preferred stocks is buying less. On the other hand, the majority of corporations are benefited from rising prices—not that they can go too far with happy results—amply attested by the earnings reports coming to hand and the flood of announcements of increased and extra dividends.

* * *

A warning has been issued by Attorney General Cummings pointing out that it is against the law for a merchant to post placards which incorrectly indicate what part of the sales price of some product represents Federal tax. It is to be hoped that this will not deter merchants who have their figures right from posting such notices. If people only knew and appreciated how much they were paying in taxes, there would be a great deal less waste.

* * *

The life insurance executives who recently attended the President's conference issued statements that all was well with their business. Mr. Linton, president of the Provident Mutual Life Insurance Co., however, thinks differently. He warned of the risk that an unbalanced budget might lead to inflation with disastrous consequences to policy holders. And who's right? Our vote goes to Mr. Linton.

Weighing Fourth-Quarter Business Prospects

(*Continued from page* 694)

stocks are still large, even though reduced, and a rise in price over the near term is to be doubted. Zinc is in the strongest statistical position since 1929, with domestic stocks only equal to the consumption rate for two months and the price virtually back to normal.

Above we have briefly discussed the position and prospect of leading basic industries whose fluctuations in volume influence the composite business index most importantly. Other industries taken into the reckoning are summarized in the table which accompanies this article. (*Please see next page*)

In general, the fourth-quarter picture appears to be a highly encouraging one. Production and consumption in the aggregate remain in sound balance, with inventories low or moderate. Substantial gains are being shown in employment and in payrolls, in business earnings and in dividends. Farm income during the fourth quarter will be at least moderately larger than a year ago, despite the drought, but will show no such gain as during the third quarter. Circulating at third and fourth hand, something over $1,000,000,000 in veterans' bonus money will continue to be a favorable trade influence for some weeks to come. There is no prospect of any material curtailment of Federal emergency spending during the next three months. Thus, both for normal and abnormal reasons, public purchasing power is rising and will rise further, indicating the best fourth quarter retail trade since 1930. While it is not a favorable factor that food costs are rising and will rise further, the biggest advance probably will not be felt this year. Generally, the balance between farm and industrial prices is now satisfactory.

Most important of all, the jam in capital goods is definitely broken, and this will prove the most decisive factor in economic progress from this point onward. For that reason we believe aggregate business activity in the fourth quarter will top that of a year ago by from 12 to 15 per cent.

Answers to Inquiries

(*Continued from page* 728)

attention. While it should be observed that the profit margin (percentage of earnings to sales volume) has tended to decline, it is reasonable to expect increased earnings in the future, notwithstanding this adverse tendency, on the basis of a substantial increase in the volume of sales. Bearing these considerations in mind, we would normally expect firmness marketwise in the shares of this company.

GENERAL AMERICAN TRANSPORTATION CORP.

Is it your opinion that the increased rail traffic and replacement demand will benefit General American Transportation materially? Do you feel it still offers me investment attractiveness when I now have 15 points profit?—R. P., Des Moines, Iowa.

Almost certainly, the increased railroad traffic thus far registered since the recovery, and the further increase in prospect, will materially benefit General American Transportation Corp. A comparison of the gross income from sales, rentals, etc., in 1932 (depression low) with last year, serves to emphasize this opinion. The figure in 1932 was less than $18,000,000, whereas last year it was well in excess of $27,000,000. That there is still room for improvement is shown by a comparison of last year's results with 1930. In the latter year gross income from sales, rentals, etc., was approximately $36,600,000. In that year earnings per share were equal to $8.16. It should also be noted that during the depression facilities were extended, new plants, terminal facilities and equipment added, and operating efficiency increased. Only recently the company took over the property and business of the old Pressed Steel Car Co., which had been engaged since 1899 in the manufacture of cars, trucks and other railway equipment. Operating through subsidiaries, General American Transportation Corp. is the leading car-leasing organization in the country, also owning extensive plant facilities engaged in repair and rebuilding as well as in manufacture of all types of freight cars, including tank cars, coal cars and refrigerator cars. Considering the position of this company as an established leader in the field, and considering further the strong financial status, one naturally expects that it will profit substantially in the future by the increased volume of business quite clearly in prospect. The present attitude of the Federal Government toward railroads, combined with the noticeable trend away from long distance motor truck haulage, present a clearly optimistic outlook. On the basis of these considerations, you would be fully warranted in a constructive attitude toward your holdings.

STANDARD BRANDS, INC.

I understand that Standard Brands may restore its dividend rate to $1 before the end of the year. Do you believe this possibility is reflected in today's prices? Should it advance materially in the event of a dividend increase?—E. C. K., Boston, Mass.

The combination of outstanding financial strength, and improving earning power, together form a very strong argument in favor of a restoration of the dividend rate on the common stock of Standard Brands to its former $1 annual disbursement. If the directors see their way clear to carry out this dividend policy, the yield at present price levels would certainly be attractive when compared with the return obtainable on other comparable stocks at present price levels. The earnings for the first half of 1936, of 57 cents a share on the stock, show a very encouraging improvement over the first half of 1935 when earnings were equal to only 44 cents a share. It is possible that rising wholesale food prices may operate against a pronounced improvement in the last half of the current year, but offsetting that possibility there is the probability of substantially increased sales volume. Standards Brands is the outgrowth of the old Fleischmann's Yeast business. On the widespread distributing system which was part of Fleischmann's business, Standard Brands consolidated such well established products as Chase & Sanborn coffee and tea, Royal Baking Powder and other widely advertised packaged food products. Although the company was organized on the eve of the depression in the summer of 1929, it has proved solidly established and has continued each year since its organization to show steady progress. Characteristic of an enterprise of this type, large annual appropriations for advertising expenses have been part of the policy of the management, and this fact serves to fortify operations against competition. In the matter of dividend policy in the future, it seems probable that earnings for the current fiscal year will be well in excess of the current dividend requirement, and the incentive provided in the recently enacted Revenue Act, may furnish an additional motive for liberality in the future.

AMERICAN METAL CO., LTD.

Do you believe that the better earnings and financial position of American Metal makes the common stock of this company an attractive buy, or are future earnings already discounted in the substantial price appreciation it has had this year?—W. H. R., Los Angeles, Calif.

There is hardly any doubt that present quotations for the shares of American Metal Co., Ltd., discount to some extent at least an increase in earning power. The earnings for the first half of the current year, equivalent to 24 cents a share, would hardly justify current quotations for the stock, but the increase registered in this half compared with the first half of 1935, and the evidence of a pronounced upward trend, together with such constructive factors in prospect as justify an optimistic attitude, may not be fully discounted, notwithstanding the appreciation marketwise registered so far in the current year. By virtue of its substantial investment in the low cost South African copper producers, its investment in the shares of Climax Molybdenum, and its other quite widespread interests in copper, lead, zinc and silver production throughout the world, this company is in an almost unique position to profit by any material improvement

in metal price levels. Last year the company reported a net income of about $800,000. In 1929, when metal prices ruled at higher levels, this company reported a net income of about $3,250,000. These figures demonstrate the influence of metal prices on the earning power of this company, and serve to crystallize the basis for the strength in the market for these shares since the outlook has become preponderantly favorable in character. American Metal Co., either directly or through its investment, is represented in practically all phases of the mining, smelting and refining industry, owning substantial interests in this country, in Cuba and Mexico, in addition to its large and potentially profitable South American interests. Whether or not current quotations fully discount future earnings prospects cannot be positively ascertained. It may be said, however, that the shares are good property and that further appreciation from present price levels is not an unreasonable expectation.

AVIATION CORP.

I hold 200 shares of Aviation Corp. stock purchased last year at 3½. The company, I understand, has unfilled orders in excess of total sales in 1935. Do you believe that this will result in still higher prices?—D. H., St. Louis, Mo.

The report that unfilled orders on the books of the Aviation Corp. this spring totalled over $2,000,000, as compared with total sales during the entire year 1935 of less than $2,000,000, briefly summarizes the evidence upon which an optimistic attitude toward the shares of this enterprise is based. All phases of the aviation industry, including the manufacture of planes, engines and parts and transportation of mail and passengers, show rapid growth with each succeeding report issued by the leaders in the industry. Aviation Corp. has a broad interest in all of these phases, by reason of its control of important manufacturing subsidiaries, and its minority investments in such transportation companies as North American Aviation, Trans-Continental & Western Air, Inc., and Pan-American Airways. Other investments include holdings of Bendix Aviation Corp. and Canadian Airways, Ltd. Financial status is outstandingly strong, total current liabilities as of December 31, 1935, figuring about $270,000, whereas cash holdings alone totalled in excess of $3,000,000. The operations of the company in 1935 showed a net loss of about $432,000, whereas in the preceding year the net loss was nearly $2,300,000. Late in 1934 Aviation Corp. acquired a controlling interest in Stinson Aircraft Corp. The company also acquired the engine and propeller divisions of Lycoming Mfg. Co., giving title to both of these interests to a subsidiary known as Aviation Manufacturing Corp., all of the preferred stock of which and half of the common stock is owned by Aviation Corp. Another wholly owned subsidiary — American Airplane & Engine Co.—represents a consolidation of the Fairchild Aviation Corp. and Fairchild Airplane Mfg. Corp. Having such important and widespread interests in the rapidly developing aviation industry, the shares might be looked upon as holding attractive long-term possibilities. On that basis, an interest in this enterprise should ultimately be productive of substantial enhancement in value.

REMINGTON RAND, INC.

I have 150 shares of Remington Rand averaging around 14. Please advise me with respect to its outlook, also whether you recommend further holding.—C. A. R., Rochester, N. Y.

Our suggestion that you retain your holdings of Remington Rand at present price levels is predicated upon the belief, first, that the relatively low prices currently reflecting the uncertainty incident to labor difficulties which have been retarding the operations of this company in recent months, will not prove to be lasting in their effects upon the operations of this company; and secondly because we believe that the improvement in business conditions witnessed to date and reasonably to be expected from future operations, will enable this company to regain much of its former earning power. Remington Rand is a foremost manufacturer of a widely diversified line of office equipment and appliances. Mechanical products include typewriters, adding, accounting and billing machines, as well as all kinds of index and filing systems, office furniture, cabinets, safes and other equipment. Obviously, the nature of the company's business is such that volume follows closely the trend of general business and industrial activity. In the year 1929 sales were reported at approximately $64,000,000 (the fiscal year ended March 31, 1930) on which net earnings of $3.51 a share were reported. While some recovery from the depression low of about $22,500,000 in net sales was registered in the last fiscal year, showing net sales at about $33,400,000; it will be seen that further progress toward recovery in business and trade should be reflected in a substantially improved showing by this company. In the fiscal year ended March 31, 1936, the per-share earnings, after regular preferred dividend requirements, were equivalent to $1.24. In the preceding year per-share earnings were equal to only 39 cents. Recent reports indicate a healthy increase in volume of shipments over 1935 spring months, and there appears ample basis for a forecast of quite satisfactory full year earnings. The outlook in our opinion is sufficiently favorable to justify our recommendation that you retain your holdings awaiting better liquidating opportunities likely to be available at a later date.

NATIONAL DISTILLERS PRODUCTS CORP.

Do you recommend National Distillers as a good speculation now as the liquor industry approaches its busy season? Or, do you believe further improvement is anticipated in current prices?—E. M. M., Lexington, Ky.

National Distillers Products Corp. controls some of the best known brands of bonded rye and bourbon whiskies in the country as well as a number of brands of blended and young straight whiskies. Thus far, the bulk of business has come from the low priced brands, but as stocks of the aged product are built up, there will unquestionably be an increased demand for the more palatable seasoned lines. In recognition of this probability, the management of National Distillers has continued to divert the bulk of distillery output to aging warehouses with the result that its supply of aging whisky is now the largest in the country. During the summer months, all principal distilleries of the company were closed down as stocks already in the aging process were believed sufficient for the time being. This action follows the pre-prohibition custom of the industry, and while modern refrigeration would have permitted uninterrupted operations during the warm summer months, sizable economies unquestionably resulted from the action taken. The earnings report of the organization for the first six months of 1936 showed net profits equal to $1.35 a share on the common stock, against $1.41 a year earlier. Considering the keen competitive situation existing in the industry during the interval, this showing is believed most satisfactory and indicative of the popularity enjoyed by the company's leading brands. Early in 1935, the company marketed an issue of $15,000,000 4½% debentures maturing in 1945, and with the proceeds retired all bank loans and materially strengthened working capital. Thus, at the close of 1935, current assets of $45,898,429, including cash of $4,658,833, contrasted with current indebtedness of only $6,555,894. The bulk of current assets was comprised of inventories which were carried at $29,398,450. It is generally believed that profit

margins on aged whiskies, even at lower prices than now prevail, would be considerably better than those obtaining on the inexpensive brands of young whiskies now comprising the bulk of the company's business. Since larger percentages of matured whiskies will be progressively available to the company for distribution, therefore, earnings prospects appear promising. We accordingly do not believe that present quotations for the stock discount possibilities, considering the probability of a continued liberal dividend policy.

NATIONAL BISCUIT CO.

I have 100 shares of National Biscuit bought last year and, while I am primarily interested in income which amounts to about 5%, I am undecided about holding this stock when it is selling back around the low for the year. What do you advise?
—B. E. N., Providence, R. I.

Report of National Biscuit Co. for the June quarter of 1936 showed earnings equal to 42 cents a share on the common stock, after preferred requirements, against 39 cents in the preceding quarter and 31 cents in the like interval a year earlier. These results clearly indicate the expanding demand for quality goods of the type manufactured and marketed by National Biscuit. While further improvement in volume business may be reasonably anticipated and there should be a further pick-up in sales of fancy crackers and biscuits, upon which profit margins are wide, the possibility of increased ingredient costs is a factor currently restricting the stock's market action. Nevertheless, the report of the company covering the full year 1936, bolstered by results attained in the first half of the year, should compare favorably with the $1.31 a share on the common stock recorded in 1935. That year witnessed the low point in the company's earning power. While restoration of earnings to the record attained in 1930 of $3.41 a share on the common stock probably will not be accomplished for some little time ahead, there would certainly seem to be a sound basis for believing that the major earnings trend is again upward, in line with rising demand for quality goods. Finances of the company have long been characterized by great strength and at the close of 1935 current assets of $35,872,150, including $23,299,064 cash, compared with current liabilities of $7,306,836. Preceding the 6,289,448 shares of common stock are only 248,045 7% preferred shares (par $100). The concern has no funded debt outstanding. Considering the attractive income return available at the present time on the common stock, with the generally improved longer term earnings prospects, we believe the stock merits retention.

Industrial Magic in Beans

(*Continued from page 703*)

States which crushed soy beans during the quarter ended April 1, 1936. The mills handled 234,961 tons of beans, turning out 64,142,131 pounds of oil and 186,984 tons of cake and meal.

Stocks of beans held by crushers on March 31, 1936, were 211,623 tons, compared with 93,065 in 1935 and 31,619 in 1934. Oil held by producers on March 31, 1936, was 18,985,391 pounds, compared with 5,888,775 pounds on the same date in 1935 and with 8,211,422 pounds in 1934. Stocks of cake and meal in the hands of producers were 14,951 tons on March 31, 1936; 15,398 tons in 1935, and 3,559 tons in 1934. These figures emphasize the rapid expansion of the industry.

Current price for No. 3 yellow soy beans in Chicago is 1¼ cents; the yellow seeded variety is apparently preferred in our experiments for the table. Soy beans pay a duty of 2 cents per pound, soy bean oil 3½ cents but not less than 45 per cent ad valorem, soy bean meal $6 per ton. We have never imported any soy beans except for feed, which comes under a different tariff schedule along with hay and fodder.

To conclude, as to the farmer; acreages planted, in millions of acres: in 1934, 4.25; in 1935, 6.21; in 1936, 4.6. Factory consumption of soy bean oil (in thousands of pounds), 1932, 25,269; in 1933, 22,958; in 1934, 20,907; in 1935, 91,166. The sudden upward move from 20,907,000 pounds in 1934 to 91,166,000 pounds for the year ended last December was in large part due to a jump in compound and vegetable shortenings up from 2,735,000 pounds to 52,452,000 pounds. A good many of us—unknowingly—must be eating soy bean oil, in various forms.

The indicated production of soy beans, to be harvested for beans, as distinguished from the forage acreage, is 26,416,000 bushels as compared with production of 37,691,000 bushels in 1935 and a five-year average production of 10,204,000. The drop for the current year is due to drought.

This is a more or less complicated story in that we have the soy bean dividing into food use, farm feed use and industrial use. Industrially, it divides into crude oil and oil cake, the oil cake into proteins and soy bean meal. Refining processes are of great variety and the uses multiply. The position of the chemists, that a great new industry beckons and promises to join agriculture and industry to the profit of both, seems justified.

Accelerating Business Credit

(*Continued from page* 701)

be doing a more hazardous business. Frankly, we do not know how important the first of these points will be. It would seem, however, that as more and more business is done on the installment plan there will be fewer people willing to assume additional obligations of a like nature when depression again descends. In other words, the sale of repossessed merchandise might well become less simple as the public obligates itself for a larger volume of weekly and monthly payments.

Concerning the validity of the second point there can be no doubt. Installment terms have become very much more liberal than they were. Only a few years ago the buyer of a new car was required to pay a third down and finish his payments within a year. Today, he may pay as little as a quarter down and be given more than two years to pay. For certain other merchandise, the terms are even more liberal. Because of the decline in interest rates, the cost of installment financing should have—and, indeed, actually has—come down, but there is all the difference in the world between lower financing costs brought about by being able to borrow at the banks and elsewhere at a lower rate of interest and the liberality of installment terms as has been described above. The first has nothing to do with risk, while the second has everything to do with it. Roughly, when installment buying is done on the basis of twelve monthly payments. the paper outstanding at any one time will, on the average, have six months to run. Hence, when the last depression struck, the average paper held by the finance companies would be represented by a nine-hundred-dollar automobile, six months old, on which six hundred dollars had been paid (one third down and six monthly payments of fifty dollars each). Although not at this point as yet, the next depression might hit the finance companies when the average paper would be represented by a nine-hundred-dollar automobile, one year old, on which only some five hundred and fifty dollars had been paid (a quarter down and twelve monthly payments of about twenty-eight dollars). It is quite possible that whereas in the first instance the finance company would have no difficulty in obtaining on repossession the unpaid balance of $300 and expenses, there might be considerable difficulty in the second.

No one knows in actuality whether this would be so, for no one has seen a depression where the volume of installment paper outstanding was huge and the terms very liberal. Certain it is, however, that every kind of credit extension can be overdone and the financing of installment accounts can be no exception. Yet, despite doubts as to the more distant future, we can at least be thankful for the business generated by installment selling and continue to be thankful for the further business benefits that will undoubtedly accrue from the rapid growth of the practice.

Seeing Things in Glass

(*Continued from page* 711)

will be healthy. Some airplanes are equipped with safety glass and so is the Dionne quintuplet's nursery.

Suggestive of new fields for plate glass is the action of the Standard Oil Co. of Ohio in projecting the erection of fifteen streamlined service stations, completely encased by bands of horizontal plate glass, except for narrow strips of porcelain enamel bands. These stations will be made of glass from top to bottom. Moreover, Pittsburgh Plate Glass Co. has been particularly aggressive in promoting the idea of modernistic glass store fronts. Alert merchants have been quick to appreciate their appeal.

When window glass and plate glass have been discussed in connection with construction and building modernization the traditional relationship has been established. Today tradition is being abruptly abandoned in favor of more varied uses of glass in construction. Pittsburgh Plate Glass has its beautiful Carrara structural glass, first introduced for kitchens and bathrooms, and now enjoying wider uses. Libbey-Owens-Ford made its bid for the structural glass markets when it acquired the Vinolite Co. and proceeded to spend $700,000 for an expansion of its facilities.

However, the initiative, vision and scientific genius of the glass industry does not end here. Owens-Illinois has greatly improved Insolux, their translucent but not transparent glass blocks. These blocks can be made to admit 86 per cent of light or to exclude all but 12 per cent of the total light. They are fire-resistant, and need only soap and water to clean them. Naturally, they are a decided step forward in decoration, allowing an architect's imagination greater play than ever. The Muncie, Ind., plant of Owens-Illinois is producing 60,000 of these blocks daily and two million dollars have been set aside for the construction of a new plant to be partly occupied with their large-scale production. Several of Owens-Illinois new plants will be constructed of these glass blocks, both interior and exterior. Contrary to popular impression, they are not more costly than other high quality materials. The new mid-town Manhattan tunnel to Jersey will have a ceiling of glass tile, thereby saving much on cleaning and painting. The Rialto theater on Times Square will have an 80-foot tower of glass blocks. Pittsburgh Plate Glass is getting into this glass block business and will soon announce the introduction of their own glass bricks.

One would have to be indeed rash to hazard any definite prophecies as to the future of structural glass, glass brick, blocks and tile. Certainly they have important advantages over older materials. Moreover, they are admirably suited to the esthetic mood of modern architecture, both interior and exterior. At any rate, we can go so far as to say that glass has become, if only to a limited extent, a part of heavy construction. Perhaps the development of hard alloys capable of working glass like metals will greatly expand its use. The fact that glass is not yet a load-bearing material is a drawback to its indiscriminate use in construction.

Glass Textiles

At once the most startling and potentially significant development is the production of glass wool, or fiber. The strands of this glass can be made as fine as one-twentieth of human hair, may be drawn at a rate of fifty miles per minute, and have been successfully worked on standard textile looms. Hats, ties and rope have been made of it. Lack of strength—heretofore a principal obstacle—has been overcome to such an extent that filaments constituting the thread have a tensile strength of 250,000 pounds per square inch. Whereas an ordinary milk bottle has 90 square inches of surface space, glass fiber of .00005" diameter has 8,740,000 square inches of surface and 120,000,000 feet of length per pound. Owens-Illinois has spent one million dollars for research and experiment on this product and has a new and greatly improved process for its manufacture. Owens-Illinois has a 25-year license agreement with the Corning Glass Co., also greatly interested in glass fiber, under which both companies co-operate in research and development, and have the right to use each other's processes and inventions. United States Gypsum Co. is the exclusive selling agent for both companies' products to the building trade.

A glance at the chief characteristics of this new material will suggest its commercial possibilities. It is fireproof, vermin-proof, acid-resistant,

Voters!

Have You Read These Books?

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Norman Thomas **$2.00**

A realistic analysis of the New Deal, of our situation as it now stands and of probable future trends by the Socialist candidate for President. An insight into the views of Thomas himself.

5. GUILTY! THE CONFESSION OF FRANKLIN D. ROOSEVELT
Introduction by Donald Richberg **$.50**

A review of the reign of Roosevelt and the Democratic party written by one of the President's right hand men, in a cleverly satirical style that combats all criticisms very effectively.

6. HELL BENT FOR ELECTION
James Warburg **$.50**

Mr. Warburg analyzes Mr. Roosevelt's pre and post election speeches and acts of legislation and comes to the conclusion that his individuality makes him an ideal candidate for popular office but a dangerous and ineffective administrator once elected.

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A study of the effects of the planned economy of the New Deal's agricultural policy, of the shocking waste, and the author's solution of how to farm for plenty rather than famine.

10. THE NEW DEAL COMES TO BROWN COUNTY
Benjamin Wallace Douglass **$.50**

Mr. Douglass, a farmer and small industrialist, tells exactly how the New Deal affected him and the typical American county in which he lives. He presents in sound perspective a governmental beehive of unproductive activity.

11. ROOSEVELT RIDDLES
Russell Moore **$.50**

A booklet of questions and answers on the New Deal, bringing to light some of the more startling and shocking boondoggles and facts about the present Administration.

1. I'M FOR ROOSEVELT
Joseph P. Kennedy **$1.00**

Many of his aquaintances have asked Joseph P. Kennedy "How can you possibly vote for Roosevelt?" To most financiers and big businessmen, Roosevelt is leading the country to the dogs and piling up too big a burden for coming generations, but Mr. Kennedy, formerly chairman of the Securities and Exchange Commission, feels that things are getting better and better, particularly for the wealthy.

With the aid of statistics, he covers the problems of national debt, relief, money, agriculture, taxation and securities legislation. He says that the President's record is "one of respect for individual rights and regard for the need of social control to handle that form of individualism which, unrestrained, destroys democracy". He has imposed only "reasonable checks on avarice and greed which were so much responsible for our economic failure" The trouble is that most people criticize his methods so violently that they forget the deserving quality of the President's objectives. They forget that in the field of relief he has had to make decisions without the guidance of precedents from other years. They can only criticize and so far no one has offered a definite program in challenge of Roosevelt's policies. Mr. Kennedy has written a thoughtful book that deserves a reading by every serious minded voter.

2 YOU ARE THE GOVERNMENT
Jouett Shouse **$1.00**

If you are one of those who fails to vote because you think that one vote more or less won't make any difference, you must read this book. Simply and effectively it reviews the history of our Government and outlines the peculiar relationship existing in the United States between the Government and the individual—relationship involving the obligations to and by our citizens, of which too many are unaware.

All of the important phases of this history are discussed—Liberty and Property Rights, Trends Adverse to Popular Government, Emergency Powers, the Menace of Bureaucracy, Social Welfare, Government in Banking and Business, Government and Money, Cost of Government, the Partisan System, and finally, Obligations of the Citizen to His Government. This is an important book for it will impress upon you not only your duties as a citizen, but the vital power of the individual vote as well.

3. HALF WAY WITH ROOSEVELT
Ernest K. Lindley **$2.75**

Here is a really dispassionate and non-partisan discussion of the Roosevelt Administration and the President himself. Lindley, having had continual contact with him ever since his days as Governor of New York, is well equipped to make this study. He says that the President draws his inspiration from the first Roosevelt and has been striving, ever since he got into big time politics, to make the Democratic party the progressive party of the country.

He explains that the President's thinking is chiefly in terms of objectives, rather than creeds, immutable principles, and other forms of systematized or revealed "knowledge." He not only operates by the "trial and error" method, but openly avows that he does. Some of his experiments have been salutory, others the reverse. There is also a short description of Governor Landon and a comparison of the two.

BOOK SERVICE DEPARTMENT **Sept. 26**
The Magazine of Wall Street
90 Broad Street, New York City

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dust-proof, immune to bacterial and chemical action. Although only introduced commercially a few months ago, it is already used widely as an air filter and for sound insulation. Owens-Illinois sells about 60,000 such air filter units per month, produced twenty million square feet of glass wool in 1935, and is now doubling its production capacity. Glass wool is also used as insulation between glass bricks, and as a covering for pipes and boilers. There is reason to suppose that it may some day replace cotton as a filtering material because of its acid resistance and longer life. Glass wool mats are being used as a porous covering for automobile batteries, with the claim that they double the battery's life.

Woven glass, glass textiles if you will, are just coming on the scene. There is undoubtedly a large market awaiting such material as a cover for cables and wires where high temperatures obtain. Other possibilities are fire-safe theatrical draperies, cigarette-proof awnings, and for special stage costumes. Its fabric possibilities are uncertain at this early date. However, one has but to recall the rise of rayon to stimulate the imagination as to possible markets for glass fiber. Solid glass has indeed become a flexible product in more ways than one.

Since we have been looking only at one industry it is well to keep in mind that while glass searches for new markets and uses, other industries are not static. Plastics, a worthy competitor to many kinds of glass, is young and vigorous. Ceramics, brick, wood, tin cans, aluminum, cellophane, metal alloys, and other products are not going to idle while glass captures part of their markets. However, this does not mean that glass is going to be shattered by competition before it gets well started. It simply means that it will have to fight for and justify such progress as it makes.

Of course, the possibilities are enormous. Indeed, after examining the new developments in glass one almost begins to wonder whether or not ground glass is really a fatal food?

Profits Rising in Retail Trade

(*Continued from page* 709)

margins obtainable by comparing chain store sales and changes in wholesale prices, has become in consequence less reliable. There seems, however, to be no doubt that the spread between wholesale and retail prices has widened quite substantially this year. Unhappily, a wider margin of gross profit does not inevitably mean a larger net and in many instances among the grocery chains the wider margin of gross profit has been offset entirely by increased expenses and higher taxes. For example, Safeway's sales for the first six months of the present year were about 18 per cent ahead of last, but earnings applicable to the common were down to $1.26 a share from $1.51. The sales of Kroger Grocery & Baking for the twenty-four weeks to June 13 were less than 1 per cent under the same period of 1935, while the net profit was reduced to less than half.

The operators of a chain of grocery stores have today many difficulties with which to contend. Competition, always keen, has grown keener. Chain competes with chain as never before, while the improvement in the organization of voluntary chains adds to the difficulties. Then, on top of generally increased taxation, higher costs and wages, the chain groceries have been singled out for special treatment at the hands of politicians. Some twenty states now have upon their books discriminatory chain store taxes, under which a tax of so much per store is levied, increasing per store according to the number of stores under one management.

No mention was made of such discriminatory taxation in connection with other divisions of retail trade. It is to be noted, however, that all chains, including even gasoline filling stations, are subject to it. Apart from groceries, among the retailers hardest hit are Woolworth, Kresge, Penney, Newberry, Sears, Roebuck and Montgomery Ward.

The Robinson-Patman Act, which has been mentioned already in connection with drugs, was aimed primarily at the grocery chains. As has been said, its effects are not clear, but at the best it will be merely another nuisance with which the chains have to contend and at the worst it may result in considerable change in merchandising methods and an adverse effect upon earnings. Finally—and this is also true of all retailers—Social Security will be a heavy burden to the grocery chains.

In view of the numerous and special difficulties with which the grocery chains have had to contend, it is only remarkable that they have managed to do as well as they have. Such a showing under particularly adverse conditions would seem to indicate that they might make considerable progress were these to be alleviated in any important respect. An increase in public purchasing power may well result in the purchase of more higher-priced, trademarked foodstuffs on which the profit margin is normally greater. As this is a thoroughly reasonable expectation, most of the grocery chains are likely to make some progress in coming months.

Despite dark spots here and there, it will be seen from the foregoing that the outlook for retail trade is generally good. Fundamentals are very definitely favorable and, under such conditions when special circumstances seem to obscure the prospects of some company or group of companies, it is usually fundamentals that ultimately prove the stronger force. While the speculator seeking price appreciation probably will think better of other industries, the man seeking a reasonable return on his capital investment and willing to accept the possibilities of moderate appreciation should find little difficulty in filling his needs among companies in retail trade.

Factory Expansion Points to Profits in Machinery Stocks

(*Continued from page* 713)

which is steadily increasing in popularity. Since 1932, earnings have recorded impressive gains and current indications are that close to $2 a share will be earned on the common stock. This would compare with $1.28 in 1935. Profits equal to 96 cents a share in the first six months this year compare with 62 cents a share earned in the same months a year ago. Preceded by only 32,857 shares of 6½ per cent preferred stock, and with finances exceptionally strong, the common stock would appear in line for increasingly larger dividends. The regular rate of $1.20 annually is likely to be augmented by an extra dividend at the year-end. Recently quoted several points below its 1936 high, the shares may be credited with well defined merit for holding over the next twelve months.

Mesta Machine Co. is one of the two leading companies manufacturing heavy industrial plant machinery. Notwithstanding the highly specialized character of its business, the company by dint of a modest capitalization, conservative financial policies and a capable management has an unbroken record of dividend payments dating back to 1914. Principal products include heavy steel mill machinery and castings, steel and alloy steel rolling machinery, forging presses, shears and various types of gears and pinions. Last year the company profited handsomely as a result of the extensive program of expansion and modernization inaugurated throughout the steel industry. Net income was equal to $3.11 a share on the 1,000,000 shares of stock comprising the entire capitalization. Current earnings are not available but unfilled or-

ders at the beginning of the year exceeded $8,000,000 and subsequently several large orders have been received. The company should earn at least $4 a share this year and dividends have aggregated $3.25. In May dividends were increased from 50 cents to 75 cents and in August a payment of $1.50 was declared. While the current rate of business may recede somewhat, the shares have merit on the strength of the company's outstanding record and the generous yield afforded.

National Acme is an old established manufacturer of machine tools and its record has been typical of that division of the machinery industry. Profits have fluctuated widely and losses were shown throughout the depression years. Since 1933, however, consistent gains have been recorded, a trend which may well be maintained for some months to come. The company has outstanding 500,000 shares of common stock, preceded by funded debt of $1,676,000 and at the end of 1935, the balance sheet showed a ratio of current assets to current liabilities of better than 10 to 1. Net income available for the company's stock in 1935 was equivalent to 51 cents a share, a substantial gain over the 34 cents a share earned in 1934. In the first half of this year, however, the gain was even more pronounced, profits exceeding those for the full year 1935 and were equal to 61 cents a share. In July a 25-cent dividend was declared, the first since 1931. For the full year, earnings should amount to at least $1 a share, giving considerable weight to the likelihood of further disbursements. At levels around 17, the shares are an interesting low-cost speculation.

Niles-Bement-Pond has not reported earnings for the first six months of this year but it has been reliably estimated that net was in the neighborhood of $1.75 a share on 173,025 shares of capital stock. On this basis, the company earned in a half year more than it did in all of 1935 when profits were equal to $1.54 a share. The company manufactures small tools, gauges and metal working tools such as dies, reamers, drills, etc. All of the capital stock of Pratt & Whitney is owned, this latter company being engaged in the manufacture of precision machinery and small tools. In addition, a minority interest in two other companies gives Niles-Bement-Pond an interest in the heavier machinery division. Tangible evidence of the current improvement in earnings is to be found in the recent resumption of dividends by the payment of 50 cents a share, with additional payments seemingly assured. Recent levels at which shares have sold obviously discounted considerable improvement in earnings, although for the longer term they have much in their favor as a stake in the potentialities which lie ahead for the machine tool group.

Understanding Today's Market Fluctuations

(*Continued from page 721*)

covering a period of about two weeks and confined to fairly definite upper and lower limits. This series of fluctuations is outlined on the chart and it will be seen that it took the form of a triangle. Meanwhile the daily volumes of transactions also may be outlined within a triangle indicating a gradual diminution of turnover.

Chart theorists have strong convictions as to the significance of these two formations in prices and turnover when they occur over the same period of time, and after a stock has either been dormant in the markets, or has declined over a considerable interval; and particularly when the trend has been opposite to that of the market as a whole. They conclude that the technical position of the issue displaying these formations has become exceedingly strong and that a change in price trend is almost certain to result in the very near future. Indeed, they go even further in believing that once the technical action of a stock gives this particular signal, there are good, sound fundamental reasons existing why the stock is actually worth far more than the going price, and that the underlying reasons for the signal given in the market action will only be revealed in the future, after the stock has reached far higher price levels.

This so-called "technical signal" given by the market action of Pure Oil has been labelled point "A" on our chart, and it will be seen that, following the particular formations described, the price did actually recover sharply

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MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Saturday, September 5	88.56	167.80	55.68	133.21	132.75	715,880
Monday, September 7		HOLIDAY—EXCHANGE CLOSED				
Tuesday, September 8	88.64	169.55	56.11	134.66	133.32	1,716,000
Wednesday, September 9	88.68	168.50	55.95	134.70	133.52	1,572,270
Thursday, September 10	88.91	169.00	56.15	134.68	133.44	1,545,550
Friday, September 11	89.09	168.59	55.91	134.46	132.93	1,403,870
Saturday, September 12	89.10	168.02	55.83	133.72	133.15	494,700
Monday, September 14	89.01	166.86	55.46	132.93	131.66	1,004,460
Tuesday, September 15	88.83	166.44	55.26	132.38	131.11	1,128,090
Wednesday, September 16	88.30	165.16	54.65	131.77	130.40	1,038,812
Thursday, September 17	88.81	166.25	55.20	131.72	130.21	773,770
Friday, September 18	88.93	167.76	55.68	133.00	131.41	1,273,870
Saturday, September 19	89.04	168.93	56.36	133.55	132.79	897,300

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1936 Price Range High	Low	Recent Price
Alum. Co. of Amer.	152	87	130¾
Amer. Cyanamid B (.60)	40¾	29¼	33
Amer. Gas & Elec. (1.40)	47⅜	33¾	41¼
Amer. Lt. & Tr. (1.20)	25¼	17⅜	22
Atlas Corp. (‡80)	16¼	11¾	14¾
Bower Roller Bearing (‡1.50)	29⅜	20½	27⅛
Butler Bros	12⅝	7⅝	12½
Cities Service	7⅜	3	4
Cities Service Pfd	66	41½	54½
Colum. G. & E. cv. Pfd. (5)	116½	93	101
Commonwealth Edison (4)	117	97	105½
Compo Shoe (.50)	16	11½	14¼
Consol. Gas Balt. (3.60)	94½	84	90¾
Crane Co	39⅞	24	36½
Creole Petroleum (†.20)	34¾	19⅞	23¼
Doehler Die Casting	35⅞	27¾	33⅞
Driver Harris (1)	39	25	28
Elec. Bond & Share	27	15¾	21⅜
Elec. Bond & Share Pfd. (6)	88½	74¾	81½
Ex-Cell-O A. & T.	23⅝	14¼	17⅛
Ferro Enamel (.80)	40½	28⅜	35¾
Ford Mot. of Can."A" (†.50)	28⅜	19	22⅞
General Tire	16¼	13¼	15⅛

Name and Dividend	1936 Price Range High	Low	Recent Price
Glen Alden Coal (1)	18⅛	13¼	16¾
Gulf Oil of Pa. (‡1)	98	72	94¼
Hudson Bay M. & S. (1)	28⅜	22¾	23¼
Humble Oil (1)	76½	57	62¾
Imperial Oil (*.50)	24½	20	20⅜
Iron Fireman (1)	31½	23¾	27½
Jones & Laughlin	62	30	61¼
Lake Shore Mines (*2)	60	51	56¼
Lynch Corp. (2)	55½	34⅝	39
Mueller Brass (.80)	40½	23½	39
National Sugar Ref. (2)	30½	23	27½
Newmont Mining (*1¾)	96¾	74¼	85¾
Niagara Hudson Pwr	17¾	7¾	14¼
Niles-Bement-Pond	44⅞	28½	42½
New Jersey Zinc (2)	92⅜	69½	77
Pan-Amer. Airways (1)	66¾	45¾	58⅜
Pepperel Mfg. (3)	95¾	55	91
Pitts. Pl. Glass (*2)	140	98¼	131¼
Sherwin-Williams (4)	145½	117	135
South Penn Oil (*1½)	40½	32½	39
United Shoe Mach. (*2.50)	90	83	88½

* Includes extras. † Paid last year.
‡ Paid this year.

in confirmation of the "bullish" indication.

So far as we can see, however, there is nothing particularly promising of much greater profits over the near-term in the present statistical position of the petroleum industry. To be sure, it is apparently no worse than at this time a year ago, but presently most of the oil securities are selling at much higher prices, and, therefore, are more vulnerable in the event that unfavorable developments are overhanging the market. It will be interesting to observe the market fluctuations in this issue from this point on. A turn in the market for all the oil stocks may have been signalled by the recent technical action of Pure Oil common, one of the most speculative representatives of a highly speculative group, and, therefore, one of the most important ones to watch for just such a signal.

American Radiator

(*Continued from page* 706)

$4,786,400 as represented by 47,864 shares of $7 cumulative preferred stock and $6,763,285 in preferred and common stocks of minority interests in underlying subsidiaries. The capitalization, however, is relatively simple; and working capital of $55,104,000—including $18,727,000 cash or equivalent—leaves nothing to be desired.

As would be expected, market movement of the stock is relatively sedate. Its range this year has been between a high of 27⅜ and low of 18¾, with quotation as this is written 22½. The top in 1929 was 55⅜ and it is abundantly clear from this perspective that such figure was a very high appraisal of earnings of $2.02 per common share shown for that year.

In terms of present earnings it is likewise very high at 22½, for net income for the twelve months ended June 30 was only 40 cents a share. The company does not issue quarterly figures, however, and it is evident from comparison of several recent twelve-month reports, issued at quarterly intervals, that the rate of gain has been increasing and that profit for the calendar year 1936 will certainly top that for the twelve months ended last June 30. This assumption appears to be supported by action of the directors in August in placing the stock on a 60 cent dividend, the current yield from which is around 2.6 per cent.

Nevertheless there is a valid basis for long-term speculative interest in this equity because the trend of construction is now moving strongly in its favor from a depressed level and because this, combining with increased operating margin, probably will be translated into substantially more rapid gain in net earnings—and in dividend rate—over the next year or two.

As I See It

(*Continued from page* 689)

difference between these two types of dictatorships. Communism means immediate destruction—Fascism destroys gradually. There are only two leading democracies left in the world — the United States and England. We are also the two most prosperous nations in the world. Are we lining up together? Can we stay out when the conflagration gets going?

Significant Foreign Events

(*Continued from page* 715)

not even stimulated speculative interest in either London, Paris, Zurich or Amsterdam. Nor is it likely that they will be any more favorably received in the United States even though because of the short-term nature of the loan they might not technically be rejected under the provisions of the Johnson Act. First, Mussolini has already mobilized the greater part of the savings of Italians in America; second, private investors and investment houses have already been badly bitten and will determinately fight shy of foreign credit bids, particularly from a country where the risk is obviously high.

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Greece—A Royal Dictatorship

It was inevitable that Greece should return like Rome to the heroic age of dictators, where the destiny of the whole people is centered in one man, and where gradually whatever liberals survive the first onslaught of regimentation are made to conform or get out. The "liberals" who are now being exported from Greece, and especially from Salonika, which has long been one of the reddest spots along the Mediterranian coast line, are for the most part tinged with pink.

From having evolved in the time of Jaures the idea that a general strike might serve to stop a war, these idealists were beginning to see how much more easily its demoralizing effects might be turned toward inciting one. To show their power, certain extremists who were anxious to place Greece on the side of the left radical government party in Spain, even at the risk of provoking a conflagration which might make the Mediterranean look like a flaming Texas gusher, called a general strike. It was to paralyze the

land at midnight. Patras, Athens, and Salonika were to be the central points of three major industrial offensives.

If the Greek labor unions had as one body supported the subversive pinkish call to strike, the task of the government and of the brand new King George would have been more difficult. For George has, ostensibly, no wish to set out again upon his travels. Like Charles II, however, he can be firm upon occasion, when persuaded that he has a fraction of the country behind him. George remarked that all industrial Greece was expanding, that the national shipping was improved, and that exports were climbing. Business therefore was good, and the middle classes could be counted upon to support the government, since it was a government of prosperity or at least of approaching prosperity. The Greek Confederation of Workers had officially declared itself against the general strike, and therefore a large part even of the proletariat might be counted upon, but in the military the King placed his entire faith. General Metaxas, who happened also to be Premier, gave his outline of a dictatorship to His Majesty for approval, and won it. Martial law was proclaimed, land and naval forces were posted where such stragetic points as the electric works or the canal gates were endangered. Before the cohorts of Salonika could move they had been nationalized, and the strike averted.

Compulsory labor arbitration was one of the issues which most of us debated twenty or thirty years ago, in school. It has now reached Greece, and is being imposed there. The present dictatorship is based upon four pegs: the military power, industrial peace (compulsory arbitration being hailed as its equivalent), a single political front as opposed to multiparty democratic government, and finally a sound financial regime. As for the last, Greek revenues have been sufficiently in excess of the estimates during the past year to help meet the expenses incurred by additional and unexpected armament expenses. At the same time, the Greek currency is gaining a new and unexpected stability, and last week 130 millions of drachmas in gold and foreign currency were deposited by patriots with the National Bank to show their solidarity with the dictator.

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Over-the-Counter

ACTIVE ISSUES

Quotations as of Recent Date

INDUSTRIAL	Bid	Asked
American Book Co. (4)	70	73
Canadian Celanese (1.60)	27	29
Climax Molybdenum (.80)	39½	41
Columbia Broadcasting "A" (2)	57¼	59
Crowell Publishing Co. (*2½)	53½	55½
Dictaphone Corp. (2.75)	61½	64½
Draper Corp. (*4)	71	74
Mercke Co. (‡.50)	31	33
National Casket (3)	46	....
Northwestern Yeast (8)	92	96
Scovil Mfg. (‡1.50)	42	43
Singer Mfg. Co. (*13½)	333	339
Trico Products (2.50)	43	44½
Wilcox & Gibbs	29	35
PUBLIC UTILITIES		
Alabama Power Pfd. (7)	79½	81½
Carolina Power & Light Pfd. (7)	99½	101½
Central Maine Power Pfd. (7)	81	84
Columbus Rwy. Pwr. & Lt. Pfd. (6)	109	110½
Consumers Power Pfd. (6)	105½	106½

	Bid	Asked
Jersey Central Pwr. & Lt. Pfd. (7)	98½	100½
Kansas Gas & Electric Pfd. (7)	111	113
Kings Co. Ltg. Pfd. (7)	95½	97½
Long Island Ltg. Pfd. (7)	91	93
Nebraska Power Pfd. (7)	111½	113½
New Jersey Pwr. & Lt. Pfd. (6)	105	....
Nor. States Pwr. Pfd. (7)	93½	96½
Pacific Power & Light Pfd. (7)	86¼	88¼
Tennessee Elec. Power Pfd. (6)	65¼	66¼
Tennessee Elec. Power Pfd. (7)	72	73
Texas Power & Light Pfd. (7)	109	110½
Utica Gas & Elec. Pfd. (7)	101	102½
TELEPHONE & TELEGRAPH		
American Dist. Tel., N. J. (4)	130	133½
Mountain States Tel. & Tel. (8)	145	143
Northwestern Bell Pfd. (6½)	118	....
Peninsular Telephone (1)	21⅞	23½
Southern New England Tel. (6)	154	156

* Includes extras.
‡ Paid this year.

Movie Stocks Offer Variety of Opportunity

(Continued from page 717)

is such that a considerable leverage factor is imparted to the common stock, with the result that in the present circumstances, a rising trend in earnings would be accompanied by substantial increase in per-share results. This condition might lend considerable speculative attraction to the common stock.

The latest report of the company covers the 39-weeks period ended May 30, last. Net profit of $2,554,772 was equal after all charges and allowance for preferred dividends to 60 cents a share on 3,701,091 shares of common. In the comparable period of 1935, the common earned only two cents a share. During the four-year period to August, 1934, the company suffered an aggregate loss of nearly $31,000,000, and in the fiscal year ended August 31, 1935, a profit of $674,159 was revealed. The better earnings trend currently being shown reflects not only improved conditions generally, but such factors as the elimination of unprofitable theater properties and the enactment of legislation permitting the showing of Sunday "movies" in a territory where Warner Brothers is an owner of an extensive chain of theaters.

Two of the company's most important feature productions, "Anthony Adverse" and "Green Pastures," have already been released and while the results will not be fully reflected in earnings until some time next year, the favorable reception which these films have been given suggests that earnings in subsequent quarters may register very sizable gains. Warner Brothers Pictures common, quoted around 13, is obviously a radical speculation, but with the benefit of continued improvement in earnings the shares might well repay the greater risk involved in their purchase.

Earnings of Columbia Pictures, after slumping in the March quarter of this year due to delay in releasing several important productions, recovered impressively in the June quarter, enabling the company to earn the equivalent of $4.96 a share on the 289,413 shares of capital stock, for the fiscal year ended June 27, last. In the 1935 fiscal period, the stock earned $5.81 a share. According to official statements, gross in September quarter was ahead of last year, to which showing the company's current "hit" release, "Mr. Deeds Goes to Town," has doubtless contributed materially. Features shortly to be released, including "Lost Horizon" directed by Frank Capra, appear to be unusually promising and presage a successful season for Columbia. Concrete evidence that the late improvement in earnings is being sustained would warrant higher levels for the shares, now selling around 39.

Beset with internal problems and lack of harmony in management, Paramount has yet to fulfill the promise born of a thoroughgoing recapitalization. Steps have been taken to iron out studio difficulties and changes have been made in the executive personnel and directorate, and while these should prove effective in improving later earnings, it would appear that the full restoration of producing efficiency may be a somewhat prolonged process. In the meantime, however, the company stands to be the leading beneficiary of the increased theater attendance. Paramount operates the largest motion picture theater chain in the country, and, for the present at least, this division of its business promises to be the most productive. Contingent upon the company's further success in adjusting its internal difficulties, both classes of Paramount preferred may be credited with speculative merit, while the common is a somewhat more remote prospect.

The current progress being shown by Radio-Keith-Orpheum would seem to augur favorably for an early reorganization. Operations last year showed a profit of $684,733, as against a loss in 1934 and in the first half of the current year, net totalled $734,492. The company may possible earn as much as $1,000,000 this year which would be equivalent to around $15 on the 64,304 shares of 7% preferred stock. The company's production, "Mary of Scotland," has been a box-office success, and "Swing Time" appears assured of a long and profitable run.

Happening in Washington

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possibly at the beginning of an administration. Supposition is that President is holding them as rewards for faithful campaign work and solace for lame ducks.

Agricultural democracy has its day in current farm belt meetings called by Agricultural Adjustment Administration to permit farmers to discuss the 1937 conservation program, as farm relief is now called. Scheme is to give farmers the idea they are developing their own plans, apart from brain trust, Congress, and farm lobbyists. The co-operative approach, Secretary Wallace calls it.

Fundamental objectives for 1937 are defined as a program that will help check soil erosion, improve soil fertility, encourage better land use, and maintain farm income. Farmers may be most interested in the last item, particularly as farm income is enhanced by federal payments for soil-saving practices which also prevent surplus crop production.

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